



# Illinois Department of Insurance

---

JB Pritzker  
Governor

Ann Gillespie  
Director

August 5, 2025

Richard E. Long, President  
c/o Beth Faro  
American Freedom Insurance Company  
1699 Wall Street - Suite 600  
Mount Prospect, IL. 60056

Re: American Freedom Insurance Company, NAIC 10864  
Closing Letter

Dear Richard E. Long,

The Department has received the Company's proof of compliance. Therefore, the Department is closing its file on this exam.

The Director shall open the Examination Report and Stipulation and Consent Order for public inspection, no sooner than 30 days, from the date of acceptance, as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jack Engle".

Jack Engle  
Deputy Director, Chief Market Conduct Examiner  
Illinois Department of Insurance  
320 West Washington Street, 5th Floor  
Springfield, IL. 62767

# **Illinois Department of Insurance**

## **Market Conduct Examination**

American Freedom Insurance Company

Market Conduct Examination Report

Date of Examination: November 14, 2022, through March 11, 2025

Examination Of: American Freedom Insurance Company, NAIC #10864

Location: 1699 Wall Street, Suite 600  
Mount Prospect, IL. 60056

Period Covered: September 1, 2021, through August 31, 2022  
(Complaints) May 1, 2021, through August 31, 2022

Examiners: Dudley Ewen  
Bruce Glaser  
Lucinda Woods  
Gregory Hicks  
Tony Taylor  
June Coleman  
George Kalargyros, Examiner-in-Charge  
Shelly Schuman, Supervisory Insurance Examiner

Table of Contents

I. Foreword	4
II. Scope of the Examination	5
III. Summary of Findings	6
IV. Company Background	7
V. Methodology	8
VI. Selection of Samples	9
VII. Findings	10
VIII. Interrelated Findings	12

## I. Foreword

This is a market conduct examination report of American Freedom Insurance Company (“Company” or “AFIC”) and was performed to determine compliance with Illinois Statutes and Illinois Administrative Code. This examination was conducted at authorized offsite locations.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance (“IDOI” or “Department”).

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

## II. Scope of the Examination

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132. The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Administrative Code (50 Ill. Admin. Code 101 et seq.), and to consider whether the Company's operations are consistent with the public interest.

The primary period covered by this review was September 1, 2021, through August 31, 2022, and complaints from May 1, 2021, to August 31, 2022, were examined. Errors outside of this period discovered during the examination, however, may also be included in the report. The examination involved a target examination of the private passenger auto line of business.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, operations and management, marketing and sales, underwriting and rating, risk selection, claims, complaint handling, and producer licensing procedures. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

### III. Summary of Findings

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

Table of Criticisms						
#	Statute/Rule	Survey/Description	Section	Sample	Errors	Error %
2	215 ILCS 5/143.12a(b)(1)	Failed to provide the unearned premium refund within 30 days from the date of the notice of cancellation by the Company.	VII.A	50	9	18.00%
1	215 ILCS 5/143.17(e)	Provided a non-renewal notice that failed to include a specific reason and the related details. In one file, the Company listed the reason as claims experience with a claim number and did not list the date of loss. In three files, the notice stated a reason of operator history or claims experience without any further explanations.	VII.A	86	4	4.65%
13	215 ILCS 5/154.6(d)	Failed to effectuate a fair and equitable settlement of a claim. The Company engaged in such activities as applying the deductible twice on a collision payment and denying a claim when insured reported the incident to the police within 24 hours of discovering the hit and run of a parked vehicle.	VII.C	18	2	11.11%
14	50 Ill. Adm. Code 919.80(d)(3)	Made an advance deduction for towing charges that were not excessive and were not the result of an insured's own actions.	VII.C	18	1	5.56%
16	50 Ill. Adm. Code 919.80(d)(3)	Failed to provide an explanation in the claim file for deductions of advance towing and storage charges incurred. The deductions taken were not a result of the insured's own actions.	VII.C	25	10	40.00%
17	215 ILCS 5/154.6(d)	Failed to effectuate a prompt, fair and equitable settlement of the claim. The Company deducted the high sale price from the total loss settlement when the average sale prices would be fair and equitable to the consumer.	VII.C	25	5	20.00%

#### IV. Company Background

The Company was incorporated on January 8, 1998, under the laws of the State of Illinois and began operations on March 1, 1998, in Arlington Heights, Illinois. AFIC is currently a member of the Western National Insurance Group and specializes in writing nonstandard private passenger automobile insurance coverage.

On April 30, 2012, Western National Mutual Insurance Company (“WNMIC”), a Minnesota domiciled property and casualty insurance company, purchased 100% of the issued and outstanding common shares of Dynamic Insurance Group (“DIG”), the parent company of AFIC.

On August 3, 2012, DIG was merged into AFIC, and Western National Mutual Insurance Company is now the parent company of AFIC.



## V. Methodology

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

- A. Risk Selection
- B. Underwriting
- C. Claims
- D. Complaints and Producer Review
- E. Marketing and Sales

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

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

- A. Risk Selection - Cancellations, rescissions and non-renewals of existing policy holders were requested based on the effective date of the transaction falling within the period under examination. Cancellations, rescissions and non-renewals were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.
- B. Underwriting - The underwriting of new applicants for coverage with the Company was selected based on the inception date of the policy falling within the period under examination. Policies were reviewed for rating, use of filed rates and use of filed forms, for compliance with Company underwriting guidelines and to ensure compliance with statutory requirements.
- C. Claims - Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination. All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq. and 820 ILCS 305/1 et seq.) and Part 919 (Ill. Adm. Code Title 50: Part 919).
- D. Complaints and Producer Review - Complaints were reviewed for completion, accuracy and validity of the complaint based on complaints received by the Department of Insurance during the examination experience period. Producer terminations and licensing were reviewed for their compliance with statutory requirements.
- E. Marketing and Sales - Examiners reviewed marketing and sales material on-line and within social media for their compliance with statutory requirements.

## VI. Selection of Samples

Survey		
Risk Selection:	# Reviewed	% Reviewed
60-day and Midterm Cancellations	50	7.67%
Non-renewals	86	20.77%
Non-payment/Insured Request Cancellations	25	0.11%
Rescissions	50	26.32%
Claims:	# Reviewed	% Reviewed
First Party Paid	18	2.88%
First Party Closed without Payment	50	2.12%
Third Party Paid	25	2.37%
Third Party Closed without Payment	50	1.36%
First Party Total Loss Paid	25	5.42%
Subrogation	25	27.17%
Complaints and Producer Review:	# Reviewed	% Reviewed
Department Complaints	248	100.00%
Consumer Complaints	85	100.00%
Producer Licensing	79	40.10%

## VII. Findings

### A. Risk Selections

#### i. 60-day and Midterm Cancellations

- a. Criticism #2 -- In 9 of 50 files reviewed, for an error rate of 18.00%, the Company failed to provide the unearned premium refund within 30 days from the date of the notice of cancellation by the Company. -- 215 ILCS 5/143.12a(b)(1)

#### ii. Non-renewals

- a. Criticism #1 -- In 4 of 86 files reviewed, for an error rate of 4.65%, the Company provided a non-renewal notice that failed to include a specific reason and the related details. -- 215 ILCS 5/143.17(e)
  - *In 1 file, the Company listed the reason as claims experience with a claim number and did not list the date of loss.*
  - *In 3 files, the notice stated a reason of operator history or claims experience without any further explanations.*

#### iii. Insured Requested Cancellations and Cancellation for Non-Payment of Premium

- a. No criticisms were noted.

#### iv. Rescissions

- a. No criticisms were noted.

### B. Underwriting

#### i. Underwriting

- a. No criticisms were noted.

### C. Claims

#### i. First Party Paid Claims

- a. Criticism #13 -- In 2 of 18 files reviewed, for an error rate of 11.11%, the Company failed to effectuate a fair and equitable settlement of a claim. -- 215 ILCS 5/154.6(d)
  - *In 1 file, the company applied the deductible twice on a collision payment.*
  - *In 1 file, the company denied a claim when the insured reported the incident to the police within 24 hours of discovering the hit and run of a parked vehicle.*
- b. Criticism #14 -- In 1 of 18 files reviewed, for an error rate of 5.56%, the Company reduced the amount of towing by \$85 as being an unreasonable charge, making an advanced deduction for towing charges that were not excessive, and were not the result of an insured's own actions. -- 50 Ill. Adm. Code 919.80(d)(3)

#### ii. First Party Closed without Payment Claims

- a. No criticisms were noted.

- iii. Third Party Paid Claims
  - a. No criticisms were noted.
- iv. Third Party Closed without Payment Claims
  - a. No criticisms were noted.
- v. First Party Total Loss Paid Claims
  - a. Criticism #16 -- In 10 of 25 files reviewed, for an error rate of 40.00%, the Company failed to provide documentation for deductions of advance towing and storage charges incurred when the deductions taken were not a result of the insured's own actions. -- 50 Ill. Admin. Code 919.80(d)(3)
  - b. Criticism #17 -- In 5 of 25 files reviewed, for an error rate of 20.00%, when utilizing ProQuote to determine historical salvage sale prices on comparable vehicles, the company deducted the high sale prices from the total loss settlements when the average sale prices would have been fair and equitable to the consumer, failing to effectuate a prompt, fair and equitable settlement of claims. -- 215 ILCS 5/154.6(d)
- vi. Subrogation
  - a. No criticisms were noted.
- D. Complaints and Producer Licensing
  - i. Department of Insurance
    - a. No criticisms were noted.
  - ii. Consumer Complaints
    - a. No criticisms were noted.
  - iii. Producer Licensing
    - a. No criticisms were noted.
- E. Marketing and Sales
  - i. Marketing and Sales
    - a. No criticisms were noted.

## VIII. Interrelated Findings

### A. Claims

#### i. First Party Paid Claims

- a. In 11 of 18 files reviewed, for an error rate of 61.11%, the Company indicated on the check to an insured that the payment was “final” when the policy limit had not been paid and there was no bona fide dispute over coverage or the amount payable under the policy. -- 50 Ill. Adm. Code 919.60(a)
  - *The Company was asked to provide evidence of reprogramming of its system to remove the term “final payment” from check stubs. The Company provided the evidence that the wording “final payment” was removed.*

Examination Draft Report Submission

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Dudley Ewen  
Bruce Glaser  
Lucinda Woods  
Gregory Hicks  
June Coleman  
Tony Taylor

Respectfully submitted,

*George Kalargyros*

George Kalargyros  
Examiner-In-Charge

*Shelly Schuman*

Shelly Schuman  
Supervisory Insurance Examiner

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

American Freedom Insurance Company  
1699 Wall Street, Suite 600  
Mount Prospect, IL. 60056

### Stipulation and Consent Order

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

WHEREAS American Freedom Insurance Company, NAIC #10864, ("the Company"), are authorized under the insurance laws of this State and 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 a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of May 1, 2021, through August 31, 2022, which is an official document of the Department; and

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

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

WHEREAS the Company is aware of and understands their 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 this Stipulation and Consent Order, they waive 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 to avoid any further administrative action, hereby enter this Stipulation and Consent Order.

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

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

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

1. Institute and maintain policies and procedures whereby the Company shall refund unearned premium refunds within 30 days. 215 ILCS 5/143.12a(b)(1)
2. Institute and maintain policies and procedures whereby the Company shall effectuate prompt, fair and equitable settlement of claims in which liability is reasonably clear. 215 ILCS 5/154.6(d)
3. Institute and maintain policies and procedures whereby the Company shall pay any and all reasonable towing charges irrespective of the towing company used by the insured. The Company shall make no advance deductions for storage and towing charges unless excessive charges have resulted from the insured's own actions. 50 Ill. Adm. 919.80(d)(3)
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within thirty (30) days of execution of this Order.
5. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$28,000.<sup>00</sup> to be paid within ten (10) days of execution of this Order.



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

On behalf of American Freedom Insurance Company

William P. Dewyer  
Signature

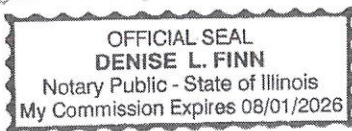
William P. Dewyer  
Name

General Counsel  
Title

Subscribed and sworn to before me this

24th day of July, 2025.

Denise L. Finn  
Notary Public



Department of Insurance of the State of Illinois:

DATE 7/31/2025

Ann Gillespie  
Ann Gillespie  
Director

