



JB Pritzker
Governor

Illinois Department of Insurance

Dana Popish Severinghaus
Director

VIA ELECTRONIC MAIL

November 6, 2023

Mr. Steven M. Spray, President
c/o Rick Taphorn
The Cincinnati Insurance Group
6200 S. Gilmore Rd.
Fairfield, OH. 45014

Re: The Cincinnati Insurance Company, NAIC 10677
The Cincinnati Casualty Company, NAIC 28665
The Cincinnati Indemnity Company, NAIC 23280
The Cincinnati Life Insurance Company, NAIC 76236
Market Conduct Examination Report Closing Letter

Dear Mr. Spray:

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

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

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Erica Weyhenmeyer".

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
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Illinois Department of Insurance

Market Conduct Examination

of

The Cincinnati Insurance Company

The Cincinnati Casualty Company

The Cincinnati Indemnity Company

The Cincinnati Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: February 1, 2022, to December 31, 2022

EXAMINATION OF: The Cincinnati Insurance Company (NAIC #10677)
The Cincinnati Casualty Company (NAIC #28665)
The Cincinnati Indemnity Company (NAIC #23280); and
The Cincinnati Life Insurance Company (NAIC #76236)

LOCATION OF EXAM: 6200 S. Gilmore Rd.
Fairfield, OH 45014

PERIOD COVERED BY EXAMINATION: December 1, 2020, through November 30, 2021
(Complaints were reviewed for the period
June 1, 2020, through November 30, 2021)

EXAMINERS: Craig Leonard, CIE, CPCU, CCP, FLMI, ARC, AIAF, ARM, MCM
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Steve Sigler, CFE, AES, AMCM, CISA
James Gowins, CISA, AES, AFE, MCM

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I. SUMMARY

A comprehensive market conduct examination of The Cincinnati Insurance Company (NAIC #10677), The Cincinnati Casualty Company (NAIC #28665), The Cincinnati Indemnity Company (NAIC #23280), and The Cincinnati Life Insurance Company (NAIC #76236), (herein referred to as “Companies”) was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

The Property and Casualty (“P&C”) lines of business under review included Private Passenger Automobile (“PPA”), Motorcycle (“MC”), Homeowners (“HO”), Dwelling Fire (“DF”), Mobile Home (“MH”), and Workers’ Compensation (“WC”). The Life and Annuity (“L&A”) lines of business included Life Insurance (“LI”) and Annuity coverages.

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

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
1	50 Ill. Adm. Code 919.80(b) (2)	Claims – Private Passenger Automobile First-Party Paid: Companies failed to send written explanation for the delay to the insured.	105	1	1%
2	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile First-Party Paid: Companies failed to provide insured with information contained in Exhibit A.	105	1	1%
4	215 ILCS 5/143.21.1	Risk Selection – Homeowners Nonrenewed: Companies failed to give the insured at least 60 days’ notice of its intention not to renew coverage.	86	11	13%
5	215 ILCS 5/141.01	Risk Selection – Homeowners Nonrenewed: Companies refused to renew coverage on the grounds that the contract with the agent had been terminated.	86	1	1%
6	215 ILCS 5/154.6(d)	Claims – Private Passenger Automobile First-Party Paid: Companies failed to issue claim payments for the correct amount.	105	2	2%
7	50 Ill. Adm. Code 919.80(b) (2)	Claims – Private Passenger Automobile First-Party Paid: Companies failed to send a timely delay letter to the insured.	105	1	1%
8	50 Ill. Adm. Code 917.70(c)	Risk Selection – Life External Replacements: Companies failed to send Notice Regarding Proposed Replacement to existing insurer within three (3) working days.	79	16	20%
9	50 Ill. Adm. Code 917.70(b) and (c)	Risk Selection – Life External Replacements: Companies failed to require the Producers to provide contract numbers on the Notice Regarding Replacement/Notice Regarding Proposed Replacement.	79	15	19%
11	50 Ill. Adm. Code 917.70(b)	Risk Selection – Life External Replacements: Companies failed to require that the Producer sign the Notice Regarding Replacement.	79	4	5%
12	50 Ill. Adm. Code 917.70(a)	Risk Selection – Life External Replacements: Companies failed to require accurate signed statements from the Applicant and Producer as to whether the insurance would replace existing policies.	79	4	5%

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
13	50 Ill. Adm. Code 917.60(a) (1)	Risk Selection – Life External Replacements: Producer failed to submit to the replacing insurer an accurate signed statement as to whether the insurance would replace existing policies.	79	1	1%
14	50 Ill. Adm. Code 917.60(b) (1)	Risk Selection – Life External Replacements: Producer failed to list the contract numbers that were to be replaced in the Notice Regarding Replacement.	79	15	19%
18	50 Ill. Adm. Code 919.80(b) (2)	Claims – Private Passenger Automobile First-Party Closed Without Payment: Companies failed to send written explanation for the delay to the insured.	82	2	2%
19	50 Ill. Adm. Code 919.80(b) (2)	Claims – Private Passenger Automobile First-Party Closed Without Payment: Companies failed to send a timely delay letter to the insured.	82	2	2%
20	50 Ill. Adm. Code 917.70(a)	Risk Selection – Life Internal Replacements: Companies failed to require accurate signed statements from the Applicant and Producer as to whether the insurance would replace existing life insurance.	50	4	8%
21	50 Ill. Adm. Code 917.60(a) (2)	Risk Selection – Life Internal Replacements: Producer failed to submit accurate statements to the Companies as to whether the Producer knew the replacement was, or may have been, involved in the transaction.	50	4	8%
22	215 ILCS 5/462b	Underwriting and Rating – Workers’ Compensation New Business: Companies failed to apply the correct experience modification factors.	84	2	2%
23	215 ILCS 5/462b	Underwriting and Rating – Workers’ Compensation New Business: Companies failed to apply the correct rating factors according to its State Rate Manual.	84	2	2%
27	50 Ill. Adm. Code 919.80(b) (2)	Claims – Private Passenger Automobile Total Loss: Companies failed to send a written explanation for the delay to the insured.	76	1	1%
28	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile Total Loss: Companies failed to provide the insured with the information contained in Exhibit A.	76	2	3%
29	50 Ill. Adm. Code 919.80(b) (2)	Claims – Private Passenger Automobile Total Loss: Companies failed to send a timely written explanation for the delay to the insured.	76	1	1%
30	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile Total Loss: Companies failed to timely provide the insured with the information contained in Exhibit A.	76	7	9%
31	215 ILCS 5/143(2) and 50 Ill. Adm. Code 753.10(a) (1)	Underwriting and Rating – Workers’ Compensation New Business: Companies issued a form which was withdrawn from use by the NCCI in Illinois.	84	84	100%
32	215 ILCS 5/143(2) and 50 Ill. Adm. Code 753.10(a) (1)	Underwriting and Rating – Workers’ Compensation Renewals: Companies issued a form which was withdrawn from use by the NCCI in Illinois.	115	115	100%
34	215 ILCS 5/457(1) and 215 ILCS 5/462b	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to retain evidence in the file to support the applied scheduled debits for the prior (expiring term) policies.	115	4	4%
35	215 ILCS 5/457(1) and 215 ILCS 5/462b	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to retain evidence in the file to support the applied scheduled debits for the renewal policies	115	5	4%

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
36	50 Ill. Adm. Code 919.50(a) and 215 ILCS 5/154.6(d)	Claims – Annuity Paid: Companies failed to offer payment within 30 days after liability was affirmed.	40	2	5%
37	215 ILCS 5/154.6(b) and 215 ILCS 5/154.6(c)	Claims – Annuity Paid: Companies failed to communicate with the beneficiary after receipt of notice of death.	40	1	3%
38	215 ILCS 5/143.13(f)	Underwriting and Rating – Workers’ Compensation New Business: Companies failed to maintain its files with the completed application forms.	84	4	5%
39	215 ILCS 5/462b	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to assign the correct classification code to the risk.	115	2	2%
40	215 ILCS 5/462b	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to apply correct rating factors according to its State Rate Manual.	115	2	2%
41	215 ILCS 5/457(1) and 215 ILCS 5/462b	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to retain evidence in the file to support the factor changes at renewal from the prior policy term.	115	35	30%
42	215 ILCS 5/143.17(e)	Risk Selection – Homeowners Nonrenewed: Companies’ notice failed to include a specific explanation for the reason for nonrenewal.	86	1	1%
43	215 ILCS 5/143.19.1 (g)	Risk Selection – Private Passenger Automobile Nonrenewed: Companies failed to provide 60 days’ notice of its intention not to renew the coverage.	90	13	14%
44	215 ILCS 5/143.12a (b)	Risk Selection – Private Passenger Automobile Cancellations greater than 60 days: Companies failed to timely refund the Unearned Premium to the insured.	115	4	4%
45	215 ILCS 5/143.14	Risk Selection – Private Passenger Automobile Cancellations Insured Requested : Companies failed to send cancellation notices to the insureds.	115	62	54%
46	215 ILCS 5/143.14(a)	Risk Selection – Private Passenger Automobile Cancellations greater than 60 days: Companies failed to send notice of cancellation to the lienholder.	115	2	2%
47	215 ILCS 5/143.14	Risk Selection – Private Passenger Automobile Cancellations Insured Requested : Companies failed to send cancellation notices to the insureds.	83	42	51%
48	215 ILCS 5/143.14(a)	Risk Selection – Private Passenger Automobile Cancellations less than 60 days: Companies failed to send notice of cancellation to the lienholder.	83	1	1%
49	215 ILCS 5/143.14	Risk Selection – Workers’ Compensation Cancellations greater than 60 days: Companies failed to send cancellation notices to the insureds.	84	45	54%
50	215 ILCS 5/143.14	Risk Selection – Workers’ Compensation Cancellations greater than 60 days: Companies failed to maintain the Proof of Mailing of the cancellation notice.	84	5	6%
51	215 ILCS 5/143.14	Risk Selection – Workers’ Compensation Cancellations less than 60 days: Companies failed to maintain the Proof of Mailing of the cancellation notice.	7	1	14%
52	215 ILCS 5/143b and 50 Ill. Adm. Code 919.50(a)	Claims – Private Passenger Automobile Subrogation: Companies failed to refund the deductible to the insured when the subrogation amount was received.	76	4	5%

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Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
53 and 68	215 ILCS 5/143b	Claims – Private Passenger Automobile Subrogation: Companies failed to refund the deductible to the insured.	76	4	5%
57	215 ILCS 5/224(1)	Claims – Life Paid: Companies failed to pay the beneficiary 10% interest which accrued on the proceeds.	76	1	1%
58	215 ILCS 5/141.01	Risk Selection – Workers’ Compensation Nonrenewed: Companies refused to renew the policy due to the termination of the agent’s contract.	16	3	19%
61	215 ILCS 5/143.17a (d) and 215 ILCS 5/143.14(a)	Risk Selection – Workers’ Compensation Nonrenewed: Companies failed to maintain proof of mailing of the nonrenewal or cancellation notice.	16	7	44%
62	215 ILCS 5/154.6(d)	Claims – Private Passenger Automobile Total Loss: Companies failed to issue payment for the correct amount.	76	1	1%
63	50 Ill. Adm. Code 919.30(c)	Claims – Private Passenger Automobile Total Loss: Companies failed to provide documentation detailing the basis of the total loss settlement.	76	1	1%
64	215 ILCS 5/143(2)	Underwriting and Rating – Workers’ Compensation New Business: Companies failed to conduct and provide the audit documentation for new business policies that had expired.	84	22	26%
65	215 ILCS 5/143(2)	Underwriting and Rating – Workers’ Compensation New Business: Companies failed to file and use an endorsement that follows its own practices and rules.	84	84	100%
66	215 ILCS 5/143(2)	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to conduct and provide the audit documentation for renewal policies that have expired.	115	29	25%
67	215 ILCS 5/143(2)	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to file and use an endorsement that follows its own practices and rules.	115	115	100%
69	215 ILCS 143.14	Risk Selection – Homeowners Cancellations Insured Requested : Companies failed to send cancellation notices to the insureds.	115	55	48%
71	215 ILCS 5/805.1(a)	Underwriting and Rating – Homeowners Renewals: Companies failed to provide Mine Subsidence Waivers.	116	2	2%
72	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Homeowners Renewals: Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code.	116	9	8%
73	50 Ill. Adm. Code 917.70(a)	Risk Selection – Annuity External Replacements: Companies failed to require a statement signed by the Producer as to whether the annuity would replace an existing annuity.	10	1	10%
74	50 Ill. Adm. Code 917.60(a) (2)	Risk Selection – Annuity External Replacements: Producer failed to certify whether the annuity would replace an existing annuity.	10	1	10%
75	50 Ill. Adm. Code 917.70(c)	Risk Selection – Annuity External Replacements: Companies failed to send to the existing insurer a copy of the Notice Regarding Replacement within three (3) days.	10	3	30%

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Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
76	215 ILCS 5/149(1)	Risk Selection – Annuity External Replacements: Companies and Producer misrepresented the terms of the policies issued along with any benefits or advantages of replacing the existing annuities.	10	2	20%
77	215 ILCS 5/397.1(a)	Claims – Dwelling Fire Paid: Companies failed to send a notice to the State’s Attorney and failed to receive the required certificate prior to paying a claim for loss by fire or explosion where the amount recoverable exceeds \$25,000.	7	2	29%
78	50 Ill. Adm. Code 919.50(a)	Claims – Private Passenger Automobile Third-Party Paid: Companies failed to offer payment within 30 days after affirmation of liability.	83	1	1%
79	50 Ill. Adm. Code 919.80(b) (3)	Claims – Private Passenger Automobile Third-Party Paid: Companies failed to send a written explanation for the delay to the claimant.	83	4	5%
80	50 Ill. Adm. Code 919.50(a) (2)	Claims – Private Passenger Automobile Third-Party Paid: Companies failed to provide the third party with a reasonable written explanation of the basis of the denial.	83	3	4%
81	215 ILCS 143.14	Risk Selection – Dwelling Fire Cancellations Insured Requested: Companies failed to send cancellation notices to the insureds.	13	5	39%
84	50 Ill. Adm. Code 919.30(c)	Claims – Private Passenger Automobile Third-Party Paid: Companies failed to provide detailed documentation of all contact with the third-party claimant.	83	1	1%
85	215 ILCS 5/143.17(a)	Risk Selection – Homeowners Nonrenewed: Companies failed to send notification of nonrenewal to the lienholder.	86	1	1%
95	50 Ill. Adm. Code 930.50(a) and 50 Ill. Adm. Code 939.90	Underwriting and Rating – Life New Issue: Companies failed to provide the Applicant with the Buyer’s Guide prior to accepting the initial premium.	114	1	1%
97	215 ILCS 143.14	Risk Selection – Homeowners Cancellations Insured Requested: Companies failed to send cancellation notices to the insureds.	79	64	81%
98	215 ILCS 5/143.21.1	Risk Selection – Dwelling Fire Nonrenewed: Companies failed to give the insured at least 60 days’ notice of its intention to not renew coverage.	42	2	5%
99	215 ILCS 5/462a	Underwriting and Rating – Workers’ Compensation Renewals: Companies failed to provide notice to the insured of premiums in excess of 5% above the rate of recommendation.	115	5	4%
100	215 ILCS 5/143.17	Risk Selection – Dwelling Fire Nonrenewed: Companies failed to send notification of nonrenewal to the lienholder.	42	1	2%
101	50 Ill. Adm. Code 3120.60(c) (7) and 50 Ill. Adm. Code 3120.50(f) (1)(B)	Underwriting and Rating – Annuity New Issue: Companies failed to verify that Producers completed annuity training and failed to establish a supervision system for standards for product training.	87	3	3%
102	215 ILCS 5/149(1)	Underwriting and Rating – Annuity New Issue: Companies and Producer misrepresented the terms of the contract issued.	87	1	1%

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Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
103	50 Ill. Adm. Code 3120.60(a)	Underwriting and Rating – Annuity New Issue: Producers solicited the sale without adequate knowledge of the products and without being in compliance with the Companies’ standards for product training.	87	3	3%
104	50 Ill. Adm. Code 1406.40(a) and (b)	Underwriting and Rating – Life New Issue: Companies used illustrations with policy forms that were not filed as forms to be marketed with an illustration.	114	5	4%
105	215 ILCS 5/1011(A) (2)	Underwriting and Rating – Life New Applications Declined: Companies failed to provide the Applicant with a summary of rights established under subsection (B) and Sections 1009 and 1010.	86	6	7%
106	50 Ill. Adm. Code 3120.80	Underwriting and Rating – Annuity New Issue: Companies failed to make the suitability information available to the examiner.	87	1	1%
107	50 Ill. Adm. Code 3120.50(e) (1)	Underwriting and Rating – Annuity New Issue: The Producers recommended Single Premium Deferred Annuities, however, the Companies issued Flexible Premium Deferred Annuities with no recorded recommendation.	87	3	3%
108	50 Ill. Adm. Code 3150.50(f) (1)(F)	Underwriting and Rating – Annuity New Issue: Companies failed to provide senior management with an annual report providing evidence of the effectiveness of its supervision system.	87	n/a	n/a
109	50 Ill. Adm. Code 3120.50(c)	Underwriting and Rating – Annuity New Issue: Companies issued annuities without a reasonable basis to believe the annuities were suitable based on the consumers’ suitability information.	87	30	35%
110	50 Ill. Adm. Code 3120.50(a) (1)	Underwriting and Rating – Annuity New Issue: Companies failed to have reasonable belief that the consumers had been reasonably informed of various features of the Flexible Premium Deferred Annuity.	87	3	3%
111	50 Ill. Adm. Code 3120.50(f) (1)(D)	Underwriting and Rating – Annuity New Issue: Companies failed to maintain required procedures to review each recommendation and suitability information prior to issuance.	87	n/a	n/a
112	50 Ill. Adm. Code 919.80(b) (3)	Claims – Private Passenger Automobile Third-Party Closed Without Payment: Companies failed to send a written explanation of the delay to the claimant.	96	9	9%
113	50 Ill. Adm. Code 919.50(a) (2)	Claims – Private Passenger Automobile Third-Party Closed Without Payment: Companies failed to provide the third party a reasonable written explanation of the basis of the denial.	96	4	4%
114	215 ILCS 5/154.6(b)	Claims – Private Passenger Automobile Third-Party Closed Without Payment: Companies failed to acknowledge with reasonable promptness pertinent communications with respect to claims.	96	2	2%
115	50 Ill. Adm. Code 919.80(b) (3)	Claims – Private Passenger Automobile Third-Party Closed Without Payment: Companies failed to send a timely written explanation for the delay to the claimant.	96	2	2%
118	215 ILCS 143.14	Risk Selection – Dwelling Fire Cancellations Insured Requested: Companies failed to send cancellation notices to the insureds.	84	57	68%

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Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
119	820 ILCS 305/8.2(d) (3)	Claims – Workers’ Compensation Paid: Companies failed to issue payment to a provider within 30 days of receiving a valid bill and interest wasn’t paid for the delayed payment.	83	2	2%
121	820 ILCS 305/19(o)	Claims – Workers’ Compensation Paid: Companies failed to provide evidence confirming it provided the required cumulative report of 2021-related claims to the insured employer within 30 days of the end of the calendar year.	83	83	100%
122	820 ILCS 305/19(o)	Claims – Workers’ Compensation Closed Without Payment: Companies failed to provide evidence confirming it provided the required cumulative report of 2020-related claims to the insured employer within 30 days of the end of the calendar year.	82	29	35%
123	820 ILCS 305/19(o)	Claims – Workers’ Compensation Closed Without Payment: Companies failed to provide evidence confirming it provided the required cumulative report of 2021-related claims to the insured employer within 30 days of the end of the calendar year.	82	64	78%
124	215 ILCS 5/154.6(b)	Claims – Workers’ Compensation Closed Without Payment: Companies failed to acknowledge the claim.	82	28	34%
125	215 ILCS 5/154.6(n)	Claims – Workers’ Compensation Closed Without Payment: Companies failed to provide written notification to the insured employer explaining the basis for the denial.	82	19	23%
126	215 ILCS 5/154.6(b)	Claims – Workers’ Compensation Paid: Companies failed to acknowledge the claim.	83	16	19%
127	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Dwelling Fire New Business: Companies failed to comply with its filed rates by applying the incorrect number of families rating factor.	84	2	2%
128	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Dwelling Fire New Business: Companies failed to comply with its filed rates by applying the incorrect occupancy type.	84	2	2%
129	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Dwelling Fire New Business: Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code.	84	1	1%
130	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Dwelling Fire New Business: Companies failed to comply with its filed rates by applying the incorrect Mine Subsidence limit.	84	1	1%
133	50 Ill. Adm. Code 919.50(a)	Claims – Homeowners Paid: Companies failed to pay the deductible back to the insured within 30 days of the claim’s threshold being met.	105	1	1%
134	215 ILCS 5/154.6(b)	Claims – Homeowners Paid: Companies failed to acknowledge with reasonable promptness the notice of loss.	105	1	1%
137	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Dwelling Fire New Business: Companies failed to comply with its filing by not having White County filed and included in the Territory Definitions page of the Personal Dwelling/Liability Manual.	84	1	1%

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
141	215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile Third-Party Closed Without Payment: Companies failed to document the file to reflect reasonable standards for the prompt investigation of the claim.	96	5	5%
142	50 Ill. Adm. Code 919.50(a) (1)	Claims – Homeowners Closed Without Payment: Companies failed to include the Notice of Availability of the Department of Insurance in the explanation of the basis of the denial.	82	2	2%
143	50 Ill. Adm. Code 919.80(d) (7)(B)	Claims – Homeowners Closed Without Payment: Companies failed to send a written explanation of the delay to the insured.	82	1	1%
144 & 151	50 Ill. Adm. Code 919.50(a) (1)	Claims – Homeowners Closed Without Payment: Companies failed to provide the insured a reasonable explanation of the basis of the denial.	82	3	4%
145	215 ILCS 5/154.6(b), (i) and 50 Ill. Adm Code 919.30(c)	Claims – Homeowners Closed Without Payment: Companies failed to acknowledge with reasonable promptness pertinent communications with respect to a claim.	82	2	2%
146	215 ILCS 5/805.1(a)	Underwriting and Rating – Dwelling Fire New Business: Companies failed to properly execute a Mine Subsidence Waiver where the coverage or signed waiver was required.	84	1	1%
148	215 ILCS 5/133(2)	Underwriting and Rating – Dwelling Fire New Business: Companies failed to maintain its files with documentation to support Coverage A dwelling limit which was lower than the replacement cost listed in the application.	84	1	1%
150	215 ILCS 5/154.6(b), (i) and 50 Ill. Adm. Code 919.30(c)	Claims – Homeowners Closed Without Payment: Companies failed to provide documentation detailing contacts with the claimant.	82	12	15%
153	215 ILCS 5/155.17	Underwriting and Rating – Private Passenger Automobile New Business: Companies have on file uniform bodily injury rate relativities for Chicago and have filed Territory Adjustment Groups having a net effect of eliminating the uniformity within the boundaries of Chicago.	115	26	23%
154	215 ILCS 157/40 and 50 Ill. Adm. Code 754.10(a) and (b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies utilizes the Attract One model but failed to file the model.	115	n/a	n/a
155	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies use ISO physical damage symbols converted to the Companies' proprietary symbols and the symbol conversion or mapping methodology was not filed.	115	n/a	n/a
156	215 ILCS 5/155.27	Underwriting and Rating – Private Passenger Automobile New Business: Companies rating plan surcharged insureds when they had prior insurance with a nonstandard carrier.	115	n/a	n/a
157	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies Private Passenger Automobile General Rule 5 which does not clearly indicate how the credit score will apply in cases of more than one insured.	115	n/a	n/a
158	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Dwelling Fire Renewals: Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code.	115	11	10%

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
159	215 ILCS 5/805.1(a)	Underwriting and Rating – Dwelling Fire Renewals: Companies failed to provide Mine Subsidence Waivers for those properties where the coverage or a signed waiver was required.	115	2	2%
160	50 Ill. Adm. Code 919.80(d) (7)(B)	Claims – Homeowners Paid: Companies failed to provide the Notice of Availability of the Department of Insurance in the written explanation for the delay.	105	1	1%
161	50 Ill. Adm. Code 919.80(d) (7)(B)	Claims – Homeowners Closed Without Payment: Companies failed to send a timely written explanation for the delay to the insured.	82	1	1%
162	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies' rounding procedure deviated from the filed manual.	115	115	100%
165	215 ILCS 5/143a-2	Underwriting and Rating – Private Passenger Automobile New Business: Companies failed to provide evidence insureds were advised of the right to reject uninsured/underinsured motorist coverage which was more than the minimum limits.	115	110	96%
166	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies failed to apply an advanced safety equipment discount.	115	2	2%
167	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies provided a credit for prior insurance that never occurred or in which the Companies failed to properly validate.	115	26	23%
168	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies used territory relativities not rounded to the thousandth to match the filed relativities.	115	2	2%
169	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies rated widowed males as single contrary to filed rules.	115	4	4%
171	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies failed to comply with its filed rates by not applying the backup generator credit.	115	2	2%
172	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies failed to comply with its filed rates by not applying the package credit.	115	1	1%
173	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies failed to comply with its filed rates by not applying the sprinkler system credit.	115	1	1%
174	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies failed to comply with its filed rates by not applying the Advance Quote Discount.	115	1	1%
175	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies failed to comply with its filed rates by not obtaining the correct date of purchase to determine if an insured qualified for the new home purchase discount.	115	6	5%
176	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code.	115	1	1%
179	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies' rules failed to define or specify which credit score would be utilized when credit scores are obtained from multiple Applicants.	115	n/a	n/a

TABLE OF TOTAL VIOLATIONS					
Crit #	Statute/ Rule	Description of Violation	Files Reviewed	# of Violations	Error %
185	50 Ill. Adm. Code 754.10(b) (1)	Underwriting and Rating – Homeowners New Business: Companies failed to use correct rates for new business policies.	115	6	5%
186	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile New Business: Companies failed to file the mapping structure used to convert the insurance scores to classifications necessary to rate policies.	115	n/a	n/a
188	215 ILCS 5/143d(b)	Complaint Handling – Consumer Complaints: Companies failed to provide a written response to the complaint within 21 days of receipt.	2	1	50%

II. BACKGROUND

The examination is of The Cincinnati Insurance Company (NAIC #10677), The Cincinnati Casualty Company (NAIC #28665), The Cincinnati Indemnity Company (NAIC #23280), and The Cincinnati Life Insurance Company (NAIC #76236), (herein referred to as “Companies”).

The Cincinnati Insurance Company was incorporated August 2, 1950, under the laws of Ohio and commenced business on January 23, 1951. The Company was originally sponsored by Ohio insurance agents. Since July 1969, financial control has resided with Cincinnati Financial Corporation, Fairfield, Ohio. This publicly owned holding company trades on the NASDAQ Global Select Market under the symbol CINF.

The Cincinnati Insurance Company leads the insurance group, including the following subsidiaries: The Cincinnati Casualty Company, The Cincinnati Indemnity Company and The Cincinnati Life Insurance Company. The property and casualty companies market a broad range of business and personal policies in 46 states and the District of Columbia. The Cincinnati Life Insurance Company subsidiary markets life insurance and fixed annuities in 49 states and the District of Columbia.

As of December 31, 2020, the Companies’ written premiums in Illinois for the lines of business subject to the scope of this examination were as follows:

The Cincinnati Insurance Company						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Fire	7,382,919	7,207,060	3,868,552	4,543,763	6,095,908	2,020,592
Homeowners	25,932,349	27,030,082	13,325,123	22,085,668	26,556,873	12,000,077
Workers’ Compensation	6,087,054	5,785,091	2,962,010	2,667,999	3,109,206	18,462,363
Private Passenger Automobile Liability	13,482,119	14,478,426	6,774,363	8,792,833	5,394,259	8,745,174
Private Passenger Automobile Physical Damage	12,966,555	13,511,085	6,564,581	6,138,267	5,473,651	-505,564
Totals	65,850,996	68,011,744	33,494,629	44,228,530	46,629,987	40,722,642

The Cincinnati Casualty Company						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Fire	242,706	258,604	131,024	0	0	0
Homeowners	7,346,625	4,205,878	4,371,368	2,119,348	2,687,635	597,814
Workers’ Compensation	12,992,567	14,090,448	5,550,229	10,475,441	6,564,151	86,784,655
Private Passenger Automobile Liability	2,951,383	1,746,181	1,712,952	249,955	1,155,515	914,687
Private Passenger Automobile Physical Damage	2,859,694	1,678,723	1,648,283	1,153,491	1,245,281	97,919
Totals	26,392,975	21,979,834	13,413,856	13,998,235	11,652,582	88,395,075

The Cincinnati Indemnity Company						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Fire	1,025,088	945,539	536,361	447,124	447,121	0
Homeowners	0	0	0	0	0	0
Workers' Compensation	16,524,115	16,857,015	6,283,949	6,520,595	5,134,679	32,270,331
Private Passenger Automobile Liability	0	0	0	0	0	0
Private Passenger Automobile Physical Damage	0	0	0	0	0	0
Totals	17,549,203	17,802,554	6,820,310	6,967,719	5,581,800	32,270,331

The Cincinnati Life Insurance Company					
Direct Premiums and Annuity Considerations	Ordinary	Credit Life (Group and Individual)	Group	Industrial	Total
Life Insurance	20,726,487			248	20,726,736
Annuity considerations	5,520,683				5,520,683
Deposit-type contract funds	525,090				525,090
Other considerations					0
Totals	26,772,260			248	26,772,509

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems, procedures and guidelines used in dealing with insureds and claimants. Other than for the reviews of Complaints, the period under review was December 1, 2020 through November 30, 2021. The following categories were the areas examined:

- A. Operations and Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Underwriting and Rating
- E. Risk Selection
- F. Claims
- G. Producer Licensing

The review of these categories was accomplished through examination of individual policy and claim files, the Companies' procedures, written interrogatories, and interviews with the Companies' personnel. Each category was examined for compliance with Illinois Department of Insurance ("DOI") rules and regulations, and applicable state laws.

Criticisms were provided to the Companies addressing violations discovered in the review processes. All valid criticisms were incorporated into this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from data provided by the Companies. The sample size was based on the most recent NAIC *Market Regulation Handbook*. Random samples were generated using Audit Command Language ("ACL") software and the selected samples were provided to the Companies for retrieval.

Operations and Management

Operations and Management materials were reviewed to obtain a general understanding of the Companies' operations by reviewing various reports, as well as the Companies policies, plans, and procedures in effect during the examination period.

- A. Profile - This review was conducted to provide the examiners with an overview of the Companies' operations, including the management structures of the individual Companies. The examiners reviewed shareholders reports, organizational charts, certificate of authorities, independent auditors' reports, codes of regulations, governance documents, previous and current lawsuits, and market conduct examination and financial examination reports.
- B. Subcontractor oversight - This review was conducted to ensure the Companies engaged in a realistic level of oversight of subcontractors. The examiners reviewed Third-Party Administrator agreements, intercompany agreements, agency agreements, certificates of authority and a joint marketing agreement. Agreements were reviewed to ensure compliance with the Managing General Agent (MGA) statutes governing contract content and oversight features. Examiners paid particular attention to a subcontractor's dealings with policyholders and claimants.
- C. Internal audits - This review was conducted to ensure the Companies had an internal function to readily detect potential market conduct related issues. The examiners reviewed the Companies' policies and guidelines related to internal audits, internal audit reports, as well as the Board of Directors' meeting minutes, annual meeting minutes and executive committee minutes.

- D. Antifraud initiatives - This review was conducted to ensure that the Companies had antifraud plans which were reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts. The examiners reviewed the Companies' policies, procedures, antifraud plans, quarterly audit reports, and preemployment processes.
- E. Certificates of authority - This review was conducted to ensure that the Companies' operations conformed with the Companies' Certificates of Authority. The examiners reviewed the Certificates of Authority provided by the Companies.
- F. Disaster recovery plan - This review was conducted to ensure the Companies had a formalized disaster recovery plan that detailed procedures for continuing operations in the event of different types of disasters.
- G. Computer system - This review was conducted to ensure the Companies had controls, safeguards, and procedures for protecting the integrity of the computer information.
- H. Board Minutes - This review was conducted to ensure that the Companies' Board of Directors had proper oversight of the operations and activities of the Companies. The examiners reviewed the Companies' Board of Directors meeting minutes, the executive committee meeting minutes, the annual meeting minutes, external audits, annual financial statements and the Companies' bylaws.
- I. Privacy - This review was conducted to ensure that the Companies had policies, practices and procedures regarding the protection and disclosure of nonpublic financial and personal information of its customers and consumers who are not customers. The examiners reviewed the Companies' privacy program manuals, training, policies, procedures, privacy notices and disclosures.

Complaint Handling

DOI Complaints and Consumer Complaints for the period June 1, 2020 through November 30, 2021, were reviewed for compliance with applicable state laws and the Companies' own guidelines.

DOI Complaints – The population request for this category consisted of complaints received from the DOI during the examination period. The Companies' complaint registry was reconciled with the individual file information and the DOI records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Consumer Complaints – The population request for this category consisted of complaints received directly from consumers during the examination period. The Companies' complaint registry was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Marketing and Sales

Marketing and sales materials were reviewed to evaluate the representations made by the Companies about its products or services and for compliance with applicable state laws and the Companies' own guidelines.

The examiners requested the Companies' advertising and marketing manual; procedures for the approval of any advertising developed by brokers or agents; a listing of all advertising and marketing materials used by the Companies during the examination period; and producer training manuals.

The reviews included judgmental sampling from the listing of all advertising and marketing materials provided by the Companies.

Underwriting and Rating

The underwriting samples consisted of new and renewal business for the property and casualty line of business and new and denied business for the life insurance and annuity lines of business.

The new business samples were randomly selected based on the inception date occurring during the examination period. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and for compliance with applicable state laws and the Companies' own guidelines.

The renewal business samples were randomly selected based on the renewal date occurring during the examination period. Policies were reviewed for use of filed rates, use of filed forms, and for compliance with applicable state laws and the Companies' own guidelines.

The life insurance and annuity applications declined samples were randomly selected based on the declination date occurring during the examination period. Policies were reviewed for compliance with applicable state laws and the Companies' own guidelines.

Risk Selection

For the property and casualty lines of business, Cancellations, Nonrenewals and Rescissions were reviewed for compliance with applicable state laws, the Companies' own guidelines, and to ensure reasons for termination were valid and not unfairly discriminatory. Random samples were selected based on transactions occurring during the examination period.

For the life insurance and annuity lines of business, Non-forfeitures, Replacements, and Cash Surrenders were reviewed for compliance with applicable state laws and the Companies' own guidelines. Random samples were selected based on transactions occurring during the examination period.

Claims

Claims were selected based on settlement occurring within the examination period. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1, et seq.) and the Illinois Administrative Code (50 Ill. Adm. Code 101 et seq.).

For the property and casualty lines of business, separate samples were selected for First-Party and Third-Party claims. For each, separate samples were developed for both paid claims and those closed without payment ("CWP"). In addition, separate reviews were conducted of all total loss, subrogated and litigated claims.

For the life insurance and annuity lines of business, separate samples were selected for claims paid and denied.

Producer Licensing

The producer licensing samples consisted of one sample for the Private Passenger Automobile, Homeowners, and Workers' Compensation lines of business and another sample for the Life Insurance and Annuity lines of business. Random samples were selected based on transactions occurring during the examination period. The records were reviewed for compliance with applicable state laws and the Companies' own guidelines.

SELECTION OF SAMPLES		
	Sample Size	% Reviewed
Complaint Handling - Department of Insurance Complaints	4	100%
Complaint Handling - Consumer Complaints	2	100%
Marketing and Sales - Company-generated Marketing – P&C	79	48%
Marketing and Sales - Company-generated Marketing – L&A	84	34%
Marketing and Sales - Company-generated Marketing – General	79	68%
Marketing and Sales - Company-generated Marketing – P&C	79	64%
Marketing and Sales - Company-generated Marketing – L&A	29	100%
Marketing and Sales - Producer Training Materials – L&A	16	100%
Marketing and Sales - Producer Training Materials – P&C	80	100%
Marketing and Sales - Producer Communications	81	100%
Underwriting and Rating - PPA New Business	115	3%
Underwriting and Rating - PPA Renewals	116	1%
Underwriting and Rating - HO New Business	115	3%
Underwriting and Rating - HO Renewals	116	1%
Underwriting and Rating - DF New Business	84	30%
Underwriting and Rating - DF Renewals	115	5%
Underwriting and Rating - WC New Business	84	29%
Underwriting and Rating - WC Renewals	115	4%
Underwriting and Rating - New Life Issued	114	7%
Underwriting and Rating - New Annuity Issued	87	100%
Underwriting and Rating - New Life Apps Declined	86	21%
Underwriting and Rating - New Annuity Business Declined	2	100%
Risk Selection - PPA Cancellations – Less than 60 Days	83	100%
Risk Selection - PPA Cancellations – Greater than 60 Days	115	4%
Risk Selection - PPA Nonrenewed	90	100%
Risk Selection - HO Cancellations – Less than 60 Days	79	47%
Risk Selection - HO Cancellations – Greater than 60 Days	115	4%
Risk Selection - HO Nonrenewed	86	100%
Risk Selection - DF Cancellations – Less than 60 Days	13	100%
Risk Selection - DF Cancellations – Greater than 60 Days	84	27%
Risk Selection - DF Nonrenewed	42	100%
Risk Selection - WC Cancellations – Less than 60 Days	7	100%
Risk Selection - WC Cancellations – Greater than 60 Days	84	33%
Risk Selection - WC Nonrenewed	16	100%
Risk Selection - Life Non-Forfeitures	94	100%
Risk Selection - Life Internal Replacements	50	100%
Risk Selection - Life External Replacements	79	64%
Risk Selection - Annuity External Replacements	10	100%
Risk Selection - Life Cash Surrenders	84	30%
Risk Selection - Annuity Cash Surrenders	62	100%
Claims - PPA – First-Party Paid	105	11%
Claims - PPA – First-Party CWP	82	34%
Claims - PPA – Total Loss	76	58%
Claims - PPA – Third-Party Paid	83	18%
Claims - PPA – Third-Party CWP	96	100%
Claims - PPA – Subrogation	76	59%
Claims - PPA – Litigated	11	100%
Claims - MC – Paid	1	100%
Claims - HO – Paid	105	12%
Claims - HO – CWP	82	26%
Claims - DF – Paid	7	100%
Claims - WC – Paid	83	19%
Claims - WC – CWP	82	35%
Claims - Life – Paid	76	41%
Claims - Annuity – Paid	40	100%
Claims - Life – Denied	1	100%
Producer Licensing - Life and Annuity	86	5%
Producer Licensing - Property and Casualty	113	1%

IV. FINDINGS

A. Complaint Handling

1. Department of Insurance Complaints
 - a. No violations were noted.
2. Consumer Complaints
 - a. In one (1) file (50.0% of the two (2) examined), the Companies failed to provide a written response to the complaint within 21 days of receipt, thereby violating 215 ILCS 5/143d(b). (Crit #188).

B. Marketing and Sales

1. Company-generated Marketing – P&C
 - a. No violations were noted.
2. Company-generated Marketing – L&A
 - a. No violations were noted.
3. Company-generated Marketing – General
 - a. No violations were noted.
4. Company-generated Marketing – P&C
 - a. No violations were noted.
5. Company-generated Marketing – L&A
 - a. No violations were noted.
6. Producer-generated Marketing
 - a. No violations were noted.
7. Producer Training Materials – L&A
 - a. No violations were noted.
8. Producer Training Materials – P&C
 - a. No violations were noted.
9. Producer Communications
 - a. No violations were noted.

C. Underwriting and Rating

1. Private Passenger Automobile New Business
 - a. In 26 files (22.6% of the 115 examined), the garage address was in Chicago. While the Companies had on file uniform bodily injury rate relativities for Chicago, they also filed and used Territory Adjustment Groups, which had a net effect of eliminating the uniformity within the boundaries of Chicago, thereby violating 215 ILCS 5/155.17. (Crit #153).
 - b. In general, on or about 6/17/2012, The Cincinnati Casualty Company filed its initial Private Passenger Automobile filing under SERFF filing # CNNB-131837696. The Company utilizes the Attract One model but did not file the model for use with this company, thereby violating 215 ILCS 157/40 and 50 Ill. Adm. Code 754.10(a) and (b). (Crit #154).
 - c. In general, The Cincinnati Casualty Company used ISO physical damage symbols converted to the Company proprietary symbols. The symbol conversion or mapping methodology was not filed, thereby violating 50 Ill. Adm. Code 754.10(b). (Crit #155).

- d. In general, the Companies' Private Passenger Automobile rating plan surcharged insureds when they had prior insurance with a nonstandard carrier, thereby violating 215 ILCS 5/155.27. (Crit #156).
 - e. The Cincinnati Casualty Company's Private Passenger Automobile General Rule 5 does not define how the credit score will apply in cases where there is more than one insured, thereby violating 50 Ill. Adm. Code 754.10(b). (Crit #157).
 - f. In 115 files (100.0% of the 115 examined), the Companies' rounding procedure deviated from the filed manual, thereby violating 50 Ill. Adm. Code 754.10(b). This resulted in overcharges totaling \$129.00 and undercharges totaling \$122.00 in the sampled files. (Crit #162).
 - g. In 110 files (95.7% of the 115 examined), the Companies failed to provide evidence that insureds were advised of the right to reject uninsured/underinsured motorist coverage which was more than the minimum limits as required by law, thereby violating 215 ILCS 5/143a-2. (Crit #165).
 - h. In two (2) files (1.7% of the 115 examined), the Companies failed to apply an advanced safety equipment discount based upon the standard features of the automobile, thereby violating 50 Ill. Adm. Code 754.10(b). This resulted in overcharges totaling \$77.00. (Crit #166).
 - i. In 26 files (22.6% of the 115 examined), the Companies provided a credit for prior insurance that never occurred or in which the Companies failed to validate at the time of issuance. The policies were either mis-rated or the rule was ambiguous, thereby violating 50 Ill. Adm. Code 754.10(b). This resulted in overcharges totaling \$335.00 and undercharges totaling \$180.00. (Crit #167).
 - j. In two (2) files (1.7% of the 115 examined), the Companies used territory relativities not rounded to the thousandth to match the filed relativities, thereby violating 50 Ill. Adm. Code 754.10(b). (Crit #168).
 - k. In four (4) files (3.5% of the 115 examined), the Companies rated widowed males as single contrary to the filed rules, thereby violating 50 Ill. Adm. Code 754.10(b). This resulted in overcharges totaling \$333.00. (Crit #169).
 - l. In general, the Companies failed to file the mapping structure used to convert the insurance scores to classifications necessary to rate policies, thereby violating 50 Ill. Adm. Code 754.10(b). (Crit #186).
2. Private Passenger Automobile Renewals
- a. No violations were noted.
3. Homeowners New Business
- a. In two (2) files (1.7% of the 115 examined), the Companies failed to comply with its filed rates by not applying the backup generator credit, thereby violating 50 Ill. Adm. Code 754.10(b)(1). This resulted in overcharges totaling \$234.00. (Crit #171).
 - b. In one (1) file (0.9% of the 115 examined), the Companies failed to comply with its filed rates by not applying the package credit, thereby violating 50 Ill. Adm. Code 754.10(b)(1). This resulted in an overcharge totaling \$401.00. (Crit #172).

- c. In one (1) file (0.9% of the 115 examined), the Companies failed to comply with its filed rates by not applying the sprinkler system credit, thereby violating 50 Ill. Adm. Code 754.10(b)(1). This resulted in an overcharge totaling \$40.00. (Crit #173).
 - d. In one (1) file (0.9% of the 115 examined), the Companies failed to comply with its filed rates by not applying the Advance Quote Discount, thereby violating 50 Ill. Adm. Code 754.10(b)(1). This resulted in an overcharge totaling \$17.00. (Crit #174).
 - e. In six (6) files (5.2% of the 115 examined), the Companies failed to comply with its filed rates by not obtaining the correct date of purchase to determine if an insured qualified for the new home purchase discount, thereby violating 50 Ill. Adm. Code 754.10(b)(1). (Crit #175).
 - f. In one (1) file (0.9% of the 115 examined), the Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code, thereby violating 50 Ill. Adm. Code 754.10(b)(1). (Crit #176).
 - g. In general, The Cincinnati Casualty Company's rules failed to define or specify which credit score would be utilized when credit scores are obtained for multiple applicants, such as a husband and wife. The Companies filed rule fails to clearly explain how the credit score will apply. 50 Ill. Adm. Code 754.10(b)(1). (Crit #179).
 - h. In six (6) files (5.2% of the 115 examined), the Companies utilized rates other than those contained in SERFF Filing #CNNB - 132409433 that became effective on 12/1/2020 for new business, thereby violating 50 Ill. Adm. Code 754.10(b)(1). (Crit #185).
4. Homeowners Renewals
- a. In two (2) files (1.7% of the 116 examined), the Companies failed to provide Mine Subsidence Waivers for those properties where the coverage or a signed waiver was required, thereby violating 215 ILCS 5/805.1(a). (Crit #71).
 - b. In nine (9) files (7.8% of the 116 examined), the Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code, thereby violating 50 Ill. Adm. Code 754.10(b). (Crit #72).
5. Dwelling Fire New Business
- a. In two (2) files (2.4% of the 84 examined), the Companies failed to comply with its filed rates by applying the incorrect number of families rating factor, thereby violating 50 Ill. Adm. Code 754.10(b)(1). (Crit #127).
 - b. In two (2) files (2.4% of the 84 examined), the Companies failed to comply with its filed rates by applying the incorrect occupancy type, thereby violating 50 Ill. Adm. Code 754.10(b)(1). (Crit #128).
 - c. In one (1) file (1.2% of the 84 examined), the Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code, thereby violating 50 Ill. Adm. Code 754.10(b)(1). (Crit #129).
 - d. In one (1) file (1.2% of the 84 examined), the Companies failed to comply with its filed rates by applying the incorrect Mine Subsidence limit, thereby violating 50 Ill. Adm. Code 754.10(b)(1). (Crit #130).

- e. In one (1) file (1.2% of the 84 examined), the Companies failed to comply with its filing by not having White County filed and included in the Territory Definitions page of the Personal Dwelling/Liability Manual, thereby violating of 50 Ill. Adm. Code 754.10(b)(1). (Crit #137).
 - f. In one (1) file (1.2% of the 84 examined), the Mine Subsidence Waiver was executed more than 11 (eleven) months after the effective date of the policy and during the market conduct examination. Therefore, the Companies failed to properly execute a Mine Subsidence Waiver for those properties where the coverage or a signed waiver was required, thereby violating 215 ILCS 5/805.1(a). (Crit #146).
 - g. In one (1) file (1.2% of the 84 examined), the Companies did not maintain its files with documentation to support a Coverage A Dwelling limit which was lower than the replacement cost listed on the application. Therefore, the Companies failed to preserve and reproduce original books and records for the purpose of examination, thereby violating 215 ILCS 5/133(2). (Crit #148).
6. Dwelling Fire Renewals
- a. In 11 files (9.6% of the 115 examined), the Companies failed to comply with its filed rates by applying an incorrect Public Protection Classification code, thereby violating 50 Ill. Adm. Code 754.10(b)(1). This resulted in overcharges totaling \$2,120.00 and undercharges totaling \$552.00. (Crit #158).
 - b. In two (2) files (1.7% of the 115 examined), the Companies failed to provide Mine Subsidence Waivers for those properties where the coverage or a signed waiver was required, thereby violating 215 ILCS 5/805.1(a). (Crit #159).
7. Workers' Compensation New Business
- a. In two (2) files (2.4% of the 84 examined), the Companies failed to apply correct experience modification factors, thereby violating 215 ILCS 5/462b. (Crit #22).
 - b. In two (2) files (2.4% of the 84 examined), the Companies failed to apply correct rating factors according to its State Rate Manual (*IL WC 05-01-2021 F REVISED*), thereby violating 215 ILCS 5/462b. (Crit #23).
 - c. In 84 files (100.0% of the 84 examined), the Companies issued form #WC 12 06 01 E (*Illinois Amendatory Endorsement*) which was withdrawn for use by the NCCI (*replaced by form #WC 12 06 01 F*) in the State of Illinois, thereby violating 215 ILCS 5/143(2) and 50 Ill. Adm. Code 753.10(a)(1). (Crit #31).
 - d. In four (4) files (4.8% of the 84 examined), the Companies did not maintain its files with the completed application forms that support the underwriting determination for the risk. In two (2) of the four (4) files, an application was created at least six months after the effective date of the policy and during the market conduct examination. Therefore, the Companies failed to preserve and reproduce original books and records for the purpose of examination, thereby violating 215 ILCS 5/143.13(f). (Crit #38).

- e. In 22 files (26.2% of the 84 examined), the Companies failed to conduct and provide the audit documentation for new business policies that had expired, thereby violating 215 ILCS 5/143(2). (Crit #64).
- f. In 84 files (100.0% of the 84 examined), the Companies failed to file and use an endorsement that follows its own practices and rules, thereby violating 215 ILCS 5/143(2). The Companies' audit guidelines for Workers' Compensation contains a provision allowing for the waiver of premium audits on policies with a specific threshold of less than \$3,000 in annual premium. The Companies did not file an endorsement to deviate from the provisions in the approved NCCI form #WC 00 00 00 C and form #WC 12 06 01 F, requiring final premium audits upon expiration of policies. (Crit #65).

8. Workers' Compensation Renewals

- a. In 115 files (100.0% of the 115 examined), the Companies issued form #WC 12 06 01 E (*Illinois Amendatory Endorsement*) which was withdrawn for use by the NCCI (*replaced by form #WC 12 06 01 F*) in the State of Illinois, thereby violating 215 ILCS 5/143(2) and 50 Ill. Adm. Code 753.10(a)(1). (Crit #32).
- b. In four (4) files (3.5% of the 115 examined), the Companies failed to retain evidence in the file to support the applied scheduled debits for the prior (expiring term) policies. The Companies' files included category selections that apply to credits (i.e., "property well lighted"). These same categories were improperly used when applying debits. The Companies' Schedule Rating Rule #4 states, "*All schedule debits and all schedule credits shall be based on evidence that is contained in the file at the time the schedule debit or credit is applied.*" The Companies failed to adhere to its rule (CWC-IL-5), thereby violating 215 ILCS 5/457(1) and 215 ILCS 5/462b. (Crit #34).
- c. In five (5) files (4.3% of the 115 examined), the Companies failed to retain evidence in the file to support the applied scheduled debits for the renewal policies. The Companies' files include category selections that apply to credits (i.e., "property well lighted"). These same categories were improperly used when applying debits. The Companies' Schedule Rating Rule #4 states, "*All schedule debits and all schedule credits shall be based on evidence that is contained in the file at the time the schedule debit or credit is applied.*" The Companies failed to adhere to its rule (CWC-IL-5), thereby violating 215 ILCS 5/457(1) and 215 ILCS 5/462b. (Crit #35).
- d. In two (2) files (1.7% of the 115 examined), the Companies failed to assign the correct classification code to the risk, thereby violating 215 ILCS 5/462b. (Crit #39).
- e. In two (2) files (1.7% of the 115 examined), the Companies failed to apply correct rating factors according to its State Rate Manual (IL WC 05-01-2021 F REVISED), thereby violating 215 ILCS 5/462b. (Crit #40).

- f. In 35 files (30.4% of the 115 examined), the Companies failed to retain evidence in the file to support the factor changes at renewal from the prior policy term . Even though some files included selected factors pertaining to the risk characteristics from the filed schedule rating plan, the file did not explain the reason for the changes at renewal . The Companies' Schedule Rating Rule #4 states, "*All schedule debits and all schedule credits shall be based on evidence that is contained in the file at the time the schedule debit or credit is applied.*" The Companies failed to adhere to its rule (CWC-IL-5), thereby violating 215 ILCS 5/457(1) and 215 ILCS 5/462b. (Crit #41).
- g. In 29 files (25.2% of the 115 examined), the Companies failed to conduct and provide the audit documentation for new business policies that had expired, thereby violating 215 ILCS 5/143(2). (Crit #66).
- h. In 115 files (100.0% of the 115 examined), the Companies failed to file and use an endorsement that follows its own practices and rules, thereby violating 215 ILCS 5/143(2). The Companies' audit guidelines for Workers' Compensation contain a provision allowing for the waiver of premium audits on policies with a specific threshold of less than \$3,000 in annual premium. The Companies did not file an endorsement to deviate from the provisions in the approved NCCI form #WC 00 00 00 C and form #WC 12 06 01 F, requiring final premium audits upon expiration of policies. (Crit #67).
- i. In five (5) files (4.3% of the 115 examined), the Companies failed to provide notice to the insured of premiums in excess of 5% above the rate recommendation, thereby violating 215 ILCS 5/462a. (Crit #99).

9. New Life Issued

- a. In one (1) file (0.9% of the 114 examined), the Companies failed to provide to the Applicant the mandated Buyer's Guide (Form CLI-6210) prior to accepting the initial premium, thereby violating 50 Ill. Adm. Code 930.50(a) and 50 Ill. Adm. Code 939.90. (Crit #95).
- b. In five (5) files (4.4% of the 114 examined), the Companies used illustrations with policy forms that were not filed as forms to be marketed with an illustration. The use of illustrations with these policy forms violated 50 Ill. Adm. Code 1406.40(a) and (b). (Crit #104).

10. New Annuities Issued

- a. In three (3) files (3.4% of the 87 examined), the Companies failed to verify that Producers completed annuity training before soliciting, recommending, and selling annuities to consumers, thereby violating 50 Ill. Adm. Code 3120.60(c)(7). The Companies also failed to establish a supervision system in which the Companies are required to have standards for product training, thereby violating 50 Ill. Adm. Code 3120.50(f)(1)(B). (Crit #101).

- b. In one (1) file (1.1% of the 87 examined), the Producer and the Companies misrepresented the terms of the contract issued, thereby violating 215 ILCS 5/149(1). At the time of solicitation, the consumer completed a suitability profile. Based on the information in the suitability profile, the Producer attested that the Single Premium Deferred Annuity was suitable to meet the consumer's "financial needs and objectives." The consumer acknowledged that he was applying for a Single Premium Deferred Annuity and understood the surrender charges and surrender periods. However, the consumer was issued a Flexible Premium Deferred Annuity, which, among other things, had a different surrender period and surrender charge. (Crit #102).
- c. In three (3) files (3.4% of the 87 examined), the Producers solicited the sale of annuities without adequate knowledge of the products and without being in compliance with the Companies' standards for product training, thereby violating 50 Ill. Adm. Code 3120.60(a). (Crit #103).
- d. In one (1) file (1.1% of the 87 examined), the Companies failed to make available to the examiner the required suitability information, thereby violating 50 Ill. Adm. Code 3120.80. (Crit #106).
- e. In three (3) files (3.4% of the 87 examined), the Producers recommended Single Premium Deferred Annuities. However, the Companies issued Flexible Premium Deferred Annuities in which there was no recorded recommendation, thereby violating 50 Ill. Adm. Code 3120.50(e)(1). (Crit #107).
- f. In general, the Companies failed to provide senior management with an annual report that provides evidence of the effectiveness of its supervision system, thereby violating 50 Ill. Adm. Code 3150.50(f)(1)(F). (Crit #108).
- g. In 30 files (34.5% of the 87 examined), the Companies issued annuities without a documented reasonable basis to believe the annuities were suitable based on the consumers' suitability information, thereby violating 50 Ill. Adm. Code 3120.50(c). (Crit #109).
- h. In three (3) files (3.4% of the 87 examined), there was no reasonable belief that the consumers had been reasonably informed of various features of the Flexible Premium Deferred Annuity ("FDPA"), thereby violating 50 Ill. Adm. Code 3120.50(a)(1). (Crit #110).
- i. In general, the Companies failed to maintain required procedures to review each recommendation and the consumer's suitability information prior to issuance of an annuity, thereby violating 50 Ill. Adm. Code 3120.50(f)(1)(D). (Crit #111).

11. New Life Apps Declined

- a. In six (6) files (7.0% of the 86 examined), the Companies failed to provide the Applicant with a summary of the rights established under subsection (B) of Section 1011 and Sections 1009 and 1010, thereby violating 215 ILCS 5/1011(A)(2). (Crit #105).

12. New Annuity Business Declined

- a. No violations were noted.

D. Risk Selection

1. Private Passenger Automobile Cancellations – Less than 60 Days
 - a. In 42 files (50.6% of the 83 examined), the Companies failed to send Notices of Cancellation for insured requested cancellations to the insured for cancelled policies, thereby violating 215 ILCS 5/143.14. (Crit #47).
 - b. In one (1) file (1.2% of the 83 examined), the Companies failed to provide documentation that it sent notification of cancellation to the lienholder, thereby violating 215 ILCS 5/143.14(a). (Crit #48).
2. Private Passenger Automobile Cancellations – Greater than 60 Days
 - a. In four (4) files (3.5% of the 115 examined), the Companies failed to timely refund the Unearned Premium to the insured within 30 days after cancellation, thereby violating 215 ILCS 5/143.12a(b). (Crit #44).
 - b. In 62 files (53.9% of the 115 examined), the Companies failed to send Notices of Cancellation for insured requested cancellations to the insured for cancelled policies, thereby violating 215 ILCS 5/143.14. (Crit #45).
 - c. In two (2) files (1.7% of the 115 examined), the Companies failed to provide documentation that it sent notification of cancellation to the lienholder, thereby violating 215 ILCS 5/143.14(a). (Crit #46).
3. Private Passenger Automobile Nonrenewed
 - a. In 13 files (14.4% of the 90 examined), the Companies failed to give the insured that had coverage with the Companies for 5 or more years at least 60 days' notice of its intention to not renew coverage, thereby violating 215 ILCS 5/143.19.1(g). (Crit #43).
4. Homeowners Cancellations – Less than 60 Days
 - a. In 64 files (81.0% of the 79 examined), the Companies failed to send Notices of Cancellation for insured requested cancellations to the insured for cancelled policies, thereby violating 215 ILCS 5/143.14. (Crit #97).
5. Homeowners Cancellations – Greater than 60 Days
 - a. In 55 files (47.8% of the 115 examined), the Companies failed to send Notices of Cancellation for insured requested cancellations to the insured for cancelled policies, thereby violating 215 ILCS 5/143.14. (Crit #69).
6. Homeowners Nonrenewed
 - a. In 11 files (12.8% of the 86 examined), the Companies failed to give the insured that had coverage with the Companies for 5 or more years at least 60 days' notice of its intention to not renew coverage, thereby violating 215 ILCS 5/143.21.1. (Crit #4).
 - b. In one (1) file (1.2% of the 86 examined), the Companies refused to renew coverage on the grounds that the Companies' contract with the agent through whom such policy was obtained has been terminated, thereby violating 215 ILCS 5/141.01. (Crit #5).
 - c. In one (1) file (1.2% of the 86 examined), the Companies' notice to the insured stated it was "Due to condition of building" and did not include a more specific explanation for the nonrenewal, thereby violating 215 ILCS 5/143.17(e). (Crit #42).

- d. In one (1) file (1.2% of the 86 examined), the Companies failed to send notification of nonrenewal to the lienholder, thereby violating 215 ILCS 5/143.17(a). (Crit #85).
- 7. Dwelling Fire Cancellations – Less than 60 Days
 - a. In five (5) files (38.5% of the 13 examined), the Companies failed to send Notices of Cancellation for insured requested cancellations to the insured for cancelled policies, thereby violating 215 ILCS 5/143.14. (Crit #81).
- 8. Dwelling Fire Cancellations – Greater than 60 Days
 - a. In fifty-seven (57) files (67.9% of the 84 examined), the Companies failed to send Notices of Cancellation for insured requested cancellations to the Policyholder for cancelled policies, thereby violating 215 ILCS 5/143.14. (Crit #118).
- 9. Dwelling Fire Nonrenewed
 - a. In two (2) files (4.8% of the 42 examined), the Companies failed to give the insured that had coverage effective or renewed for five or more years at least 60 days' notice of its intention to not renew coverage, thereby violating 215 ILCS 5/143.21.1. (Crit #98).
 - b. In one (1) file (2.4% of the 42 examined), the Companies failed to send notification of nonrenewal to the lienholder, thereby violating 215 ILCS 5/143.17. (Crit #100).
- 10. Workers' Compensation Cancellations – Less than 60 Days
 - a. In one (1) file (14.3% of the 7 (seven) examined), the Companies failed to provide proof of mailing to the policyholder for the cancelled policy, thereby violating 215 ILCS 5/143.14. (Crit #51).
- 11. Workers' Compensation Cancellations – Greater than 60 Days
 - a. In 45 files (53.6% of the 84 examined), the Companies failed to send notices of cancellation to the policyholder for cancelled policies, thereby violating 215 ILCS 5/143.16. Since these notices were not sent, the Companies are also in violation of 215 ILCS 5/143.23 (Notice of Right to Appeal). (Crit #49).
 - b. In five (5) files (6.0% of the 84 examined), the Companies failed to provide proof of mailing to the policyholder for the cancelled policy, thereby violating 215 ILCS 5/143.14. (Crit #50).
- 12. Workers' Compensation Nonrenewed
 - a. In three (3) files (18.8% of the 16 examined), the Companies refused to renew the policy due to the termination of the agent's contract with the Companies, thereby violating 215 ILCS 5/141.01. (Crit #58).
 - b. In seven (7) files (43.8% of the 16 examined), the Companies failed to maintain proof of mailing to the policyholder for nonrenewed or cancelled policies, thereby violating 215 ILCS 5/143.17a(d) and 215 ILCS 5/143.14(a). (Crit #61).
- 13. Life Non-Forfeitures
 - a. No violations were noted.

14. Life Internal Replacements

- a. In four (4) files (8.0% of the 50 examined), the Companies failed to require, as part of the application for life insurance, accurate signed statements from the Applicant and Producer as to whether or not such life insurance would replace existing life insurance, thereby violating 50 Ill. Adm. Code 917.70(a). (Crit #20).
- b. In four (4) files (8.0% of the 50 examined), the Producer failed to submit accurate statements to the Companies as to whether the Producer knew a replacement was, or may have been, involved in the transaction, thereby violating 50 Ill. Adm. Code 917.60(a)(2). (Crit #21).

15. Life External Replacements

- a. In 16 files (20.3% of the 79 examined), the Companies failed to provide the existing insurer with a Notice Regarding Replacement/Notice Regarding Proposed Replacement within three (3) working days of receiving the application, thereby violating 50 Ill. Adm. Code 917.70(c). (Crit #8).
- b. In fifteen (15) files (19.0% of the 79 examined), the Companies failed to require the Producers to provide contract numbers on the Notice Regarding Replacement/Notice Regarding Proposed Replacement and failed to provide the existing insurer with the contract numbers that were to be replaced as required on the Notice Regarding Replacement/Notice Regarding Proposed Replacement, thereby violating 50 Ill. Adm. Code 917.70(b) and 50 Ill. Adm. Code 917.70(c). (Crit #9).
- c. In four (4) files (5.1% of the 79 examined), the Companies failed to require from the Producer that the Notice Regarding Replacement was signed by the Producer, thereby violating 50 Ill. Adm. Code 917.70(b). (Crit #11).
- d. In four (4) files (5.1% of the 79 examined), the Companies failed to require accurate signed statements from the Applicant and Producer as to whether or not such insurance would replace existing policies, thereby violating 50 Ill. Adm. Code 917.70(a). (Crit #12).
- e. In one (1) file (1.3% of the 79 examined), the Producer failed to submit to the replacing insurer, with or as part of the application, an accurate signed statement as to whether or not such insurance would replace existing policies, thereby violating 50 Ill. Adm. Code 917.60(a)(1). (Crit #13).
- f. In fifteen (15) files (19.0% of the 79 examined), the Producer failed to list the contract number or numbers that were to be replaced in the Notice Regarding Replacement, thereby violating 50 Ill. Adm. Code 917.60(b)(1). (Crit #14).

16. Annuity External Replacements

- a. In one (1) file (10.0% of the 10 examined), the Companies failed to require a statement signed by the Producer as to whether the annuity would replace an existing annuity, thereby violating 50 Ill. Adm. Code 917.70(a). (Crit #73).

- b. In one (1) file (10.0% of the 10 examined), the Producer failed to certify as to whether the annuity would replace an existing annuity, thereby violating 50 Ill. Adm. Code 917.60(a)(2). (Crit #74).
- c. In three (3) files (30.0% of the 10 examined), the Companies failed to send to the existing insurer a copy of the Notice Regarding Proposed Replacement within three (3) days of receiving the application, thereby violating 50 Ill. Adm. Code 917.70(c). (Crit #75).
- d. In two (2) files (20.0% of the 10 examined), the Producer and the Companies misrepresented the terms of the policies issued along with any benefits or advantages of replacing existing annuities with new annuities, thereby violating 215 ILCS 5/149(1). At the time of solicitation, recommendation and sale of the annuities, the Consumers only received information and disclosures based on an annuity product that was never issued and had different surrender charges, surrender timeframes, maturity date extensions, minimum and maximum premiums, and funding abilities. (Crit #76).

17. Life Cash Surrenders

- a. No violations were noted.

18. Annuity Cash Surrenders

- a. No violations were noted.

E. Claims

1. Private Passenger Automobile First-Party Paid

- a. In one (1) file (1.0% of the 105 examined), the Companies failed to send a written explanation for the delay to the insured, thereby violating 50 Ill. Adm. Code 919.80(b)(2). (Crit #1).
- b. In one (1) file (1.0% of the 105 examined), the Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss, thereby violating 50 Ill. Adm. Code 919.80(c). (Crit #2).
- c. In two (2) files (1.9% of the 105 examined), the amount paid did not match the amount of the estimate less the deductible. The Companies underpaid the claims by a total of \$747.18, thereby violating 215 ILCS 5/154.6(d). The Companies issued payments during the examination. (Crit #6).
- d. In one (1) file (1.0% of the 105 examined), the Companies failed to send a timely written explanation for the delay to the insured within 40 days from the date the claim was reported, thereby violating 50 Ill. Adm. Code 919.80(b)(2). (Crit #7).

2. Private Passenger Automobile First-Party Closed Without Payment

- a. In two (2) files (2.4% of the 82 examined), the Companies failed to send a written explanation for the delay to the insured, thereby violating 50 Ill. Adm. Code 919.80(b)(2). (Crit #18).
- b. In two (2) files (2.4% of the 82 examined), the Companies failed to send a timely written explanation for the delay to the insured within 40 days from the date the claim was reported, thereby violating 50 Ill. Adm. Code 919.80(b)(2). (Crit #19).

3. Private Passenger Automobile Total Loss
 - a. In one (1) file (1.3% of the 76 examined), the Companies failed to send a written explanation for the delay to the insured, thereby violating 50 Ill. Adm. Code 919.80(b)(2). (Crit #27).
 - b. In two (2) files (2.6% of the 76 examined), the Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss, thereby violating 50 Ill. Adm. Code 919.80(c). (Crit #28).
 - c. In one (1) file (1.3% of the 76 examined), the Companies failed to send a timely written explanation for the delay to the insured within 40 days from the date the claim was reported, thereby violating 50 Ill. Adm. Code 919.80(b)(2). (Crit #29).
 - d. In seven (7) files (9.2% of the 76 examined), the Companies failed to provide the insured with the information contained in Exhibit A within seven (7) days after the insured vehicle was deemed a total loss, thereby violating 50 Ill. Adm. Code 919.80(c). (Crit #30).
 - e. In one (1) file (1.3% of the 76 examined), the amount paid did not match the settlement amount and the waived deductible. The deductible was waived pursuant to the policy; however, it was credited twice resulting in an overpayment. The Companies issued claim payments for an incorrect amount, resulting in an unfair settlement of the claim, thereby violating 215 ILCS 5/154.6(d). (Crit #62).
 - f. In one (1) file (1.3% of the 76 examined), documentation was not provided in the claim file detailing the basis of the total loss settlement. The Companies failed to provide detailed documentation of the settlement in the claim file in order to permit reconstruction of the Companies' activities relative to the claim file, thereby violating 50 Ill. Adm. Code 919.30(c). (Crit #63).
4. Private Passenger Automobile Third-Party Paid
 - a. In one (1) file (1.2% of the 83 examined), the Companies failed to offer payment within 30 days after affirmation of liability, thereby violating 50 Ill. Adm. Code 919.50(a). (Crit #78).
 - b. In four (4) files (4.8% of the 83 examined), the Companies failed to send a written explanation for the delay to the claimant, thereby violating 50 Ill. Adm. Code 919.80(b)(3). (Crit #79).
 - c. In three (3) files (3.6% of the 83 examined), after the determination of liability, the Companies failed to provide the third party a reasonable written explanation of the basis of the denial, thereby violating 50 Ill. Adm. Code 919.50(a)(2). (Crit #80).
 - d. In one (1) file (1.2% of the 83 examined), documentation was not provided in the claim file detailing contacts with the third-party claimant. The Companies failed to provide detailed documentation of all contacts with the third-party claimant to permit reconstruction of the Companies' activities relative to the claim file, thereby violating 50 Ill. Adm. Code 919.30(c). (Crit #84).

5. Private Passenger Automobile Third-Party Closed Without Payment
 - a. In 9 files (9.4% of the 96 examined), the Companies failed to send a written explanation for the delay to the claimant, thereby violating 50 Ill. Adm. Code 919.80(b)(3). (Crit #112).
 - b. In four (4) files (4.2% of the 96 examined), after the determination of liability, the Companies failed to provide the third party a reasonable written explanation of the basis of the denial, thereby violating 50 Ill. Adm. Code 919.50(a)(2). (Crit #113).
 - c. In two (2) files (2.1% of the 96 examined), the Companies failed to acknowledge with reasonable promptness pertinent communications with respect to a claim presented, thereby violating 215 ILCS 5/154.6(b). (Crit #114).
 - d. In two (2) files (2.1% of the 96 examined), the Companies failed to send a timely written explanation for the delay to the claimant, thereby violating 50 Ill. Adm. Code 919.80(b)(3). (Crit #115).
 - e. In five (5) files (5.2% of the 96 examined), there was no documented contact with the third party or attempt to investigate the third-party exposure, thereby violating 215 ILCS 5/154.6(c). (Crit #141).
6. Private Passenger Automobile Subrogation
 - a. In four (4) files (5.3% of the 76 examined), the Companies failed to refund the deductible to the insured within 30 days after the subrogation amount was received, thereby violating 215 ILCS 5/143b and 50 Ill. Admin Code 919.50(a). (Crit #52).
 - b. In four (4) files (5.3% of the 76 examined), the Companies failed to refund the deductible to the insured, thereby violating 215 ILCS 5/143b. This resulted in underpayments totaling \$1,159.00. (Crit #053 and Crit #68).
7. Private Passenger Automobile Litigated
 - a. No violations were noted.
8. Motorcycle Paid
 - a. No violations were noted.
9. Homeowners Paid
 - a. In one (1) file (1.0% of the 105 examined), the Companies failed to pay the \$2,500 deductible back to the insured within 30 days of the claims threshold being met, thereby violating 50 Ill. Adm. Code 919.50(a). (Crit #133).
 - b. In one (1) file (1.0% of the 105 examined), the Companies failed to acknowledge the notice of loss within 30 days, thereby violating 215 ILCS 5/154.6(b). (Crit #134).
 - c. In one (1) file (1.0% of the 105 examined), the Companies failed to provide the insured the Notice of Availability of the Department of Insurance in the written explanation for the delay, thereby violating 50 Ill. Adm. Code 919.80(d)(7)(B). (Crit #160).

10. Homeowners Closed without Payment

- a. In two (2) files (2.4% of the 82 examined), the Companies failed to include the Notice of Availability of the Department of Insurance in the explanation of the basis of the denial to the insured, thereby violating 50 Ill. Adm. Code 919.50(a)(1). (Crit #142).
- b. In one (1) file (1.2% of the 82 examined), the Companies failed to send a written explanation for the delay to the insured, thereby violating 50 Ill. Adm. Code 919.80(d)(7)(B). (Crit #143).
- c. In three (3) files (3.7% of the 82 examined), the claim was denied, and the Companies failed to provide the insured a reasonable written explanation of the basis of the denial, thereby violating 50 Ill. Adm. Code 919.50(a)(1). (Crit #144 and Crit #151).
- d. In two (2) files (2.4% of the 82 examined), the Companies failed to acknowledge with reasonable promptness pertinent communications with respect to a claim arising under its policies, thereby violating 215 ILCS 5/154.6(b) & (i) and 50 Ill Adm. Code 919.30(c). (Crit #145).
- e. In twelve (12) files (14.6% of the 82 examined), documentation was not provided in the claim file detailing contacts with the claimant. The Companies failed to provide detailed documentation to permit reconstruction of the Companies' activities relative to the claim file, thereby violating 215 ILCS 5/154.6(b) & (i) and 50 Ill. Adm. Code 919.30(c). (Crit #150).
- f. In one (1) file (1.2% of the 82 examined), the Companies failed to send a timely written explanation for the delay to the claimant, thereby violating 50 Ill. Adm. Code 919.80(d)(7)(B). (Crit #161).

11. Dwelling Fire Paid

- a. In two (2) files (28.6% of the seven (7) examined), the Companies failed to send a notice to the State's Attorney of the county where the structure is located and failed to receive the required certificate prior to paying a claim of an insured property owner for loss by fire or explosion where the amount recoverable for loss exceeded \$25,000, thereby violating 215 ILCS 5/397.1(a). (Crit #77).

12. Workers' Compensation Paid

- a. In two (2) files (2.4% of the 83 examined), the Companies failed to issue a payment to a provider within 30 days of receiving a valid bill and interest was not paid for the delayed payment, thereby violating 820 ILCS 305/8.2(d)(3). (Crit #119).
- b. In 83 files (100.0% the 83 examined), the Companies failed to provide evidence confirming it provided a cumulative report of all claims incurred during the 2021 calendar year; or continued from the previous year to the insured employer, within 30 days of the end of the calendar year, thereby violating 820 ILCS 305/19(o). (Crit #121).
- c. In 16 files (19.3% of the 83 examined), the Companies' system log indicated that it had waived initial contact with the claimant resulting in the failure to acknowledge the claim, thereby violating 215 ILCS 5/154.6(b). (Crit #126).

13. Workers' Compensation Closed without Payment

- a. In 29 files (35.4% of the 82 examined), the Companies failed to provide evidence confirming it provided a cumulative report of all claims incurred during the 2020 calendar year or continued from the previous year to the insured employer, within 30 days of the end of the calendar year, thereby violating 820 ILCS 305/19(o). (Crit #122).
- b. In 64 files (78.0% of the 82 examined), the Companies failed to provide evidence confirming it provided a cumulative report of all claims incurred during the 2021 calendar year; or continued from the previous year to the insured employer, within 30 days of the end of the calendar year, thereby violating 820 ILCS 305/19(o). (Crit #123).
- c. In 28 files (34.1% of the 82 examined), the Companies' system log indicated that it had waived initial contact with the claimant resulting in the failure to acknowledge the claim, thereby violating 215 ILCS 5/154.6(b). (Crit #124).
- d. In 19 files (23.2% of the 82 examined), the Companies failed to provide written notification to the insured employer, explaining the basis for the denial, thereby violating 215 ILCS 5/154.6(n). (Crit #125).

14. Life Insurance Paid

- a. In one (1) file (1.3% of the 76 examined), payment was not made within 31 days from the date that proof of death was received by the Companies. Therefore, the Companies failed to pay the beneficiary 10% interest which accrued on the proceeds, from the date of death to the date the claim was paid, thereby violating 215 ILCS 5/224(l). (Crit #57).

15. Annuity Paid

- a. In two (2) files (5.0% of the 40 examined), the Companies failed to offer payment within 30 days after liability was affirmed and, therefore, failed to effectuate prompt settlement of claims, thereby violating 50 Ill. Adm. Code 919.50(a) and 215 ILCS 5/154.6(d). (Crit #36).
- b. In one (1) file (2.5% of the 40 examined), the Companies failed to communicate with the beneficiary after receipt of notice of death, thereby violating 215 ILCS 5/154.6(b) and (c). (Crit #37).

16. Life Insurance Denied

- a. No violations were noted.

F. Producer Licensing

1. No violations were noted.



IN THE MATTER OF:

**THE CINCINNATI INSURANCE COMPANIES
6200 S. GILMORE RD.
FAIRFIELD, OH. 45014**

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, The Cincinnati Insurance Company, NAIC 10677, The Cincinnati Casualty Company, NAIC 28665, The Cincinnati Indemnity Company, NAIC 23280, and The Cincinnati Life Insurance Company, NAIC 76236, ("the Company"), is 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 June 1, 2020, through November 30, 2021, 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 into this Stipulation and Consent Order, they waive 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. 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 give the insured at least 60 days' notice of its intention not to renew coverage. 215 ILCS 5/143.21.1
2. Institute and maintain policies and procedures whereby the Company shall send Notice Regarding Proposed Replacement to existing insurer within three (3) working days. 50 Ill. Adm. Code 917.70(c)
3. Institute and maintain policies and procedures whereby the Company shall list the contract numbers that were to be replaced in the Notice Regarding Replacement. 50 Ill. Adm. Code 917.60(b)(1)
4. Institute and maintain policies and procedures whereby the Company shall timely provide the insured with the information contained in Exhibit A. 50 Ill. Adm. Code 919.80(c)
5. Institute and maintain policies and procedures whereby the Company shall not issue a form which has been withdrawn from use by the NCCI in Illinois. 215 ILCS 5/143(2) and 50 Ill. Adm. Code 753.10(a)(1)
6. Institute and maintain policies and procedures whereby the Company shall retain evidence in the file to support the factor changes at renewal from the prior policy term. 215 ILCS 5/457(1) and 215 ILCS 5/462b
7. Institute and maintain policies and procedures whereby the Company shall provide 60 days' notice of its intention not to renew the coverage. 215 ILCS 5/143.19.1(g)
8. Institute and maintain policies and procedures whereby the Company shall send cancellation notices to the insureds. 215 ILCS 5/143.14
9. Institute and maintain policies and procedures whereby the Company shall maintain the Proof of Mailing of the cancellation notice. 215 ILCS 5/143.14
10. Institute and maintain policies and procedures whereby the Company shall not refuse to renew the policy due to the termination of the agent's contract. 215 ILCS 5/141.01


11. Institute and maintain policies and procedures whereby the Company shall maintain proof of mailing of the nonrenewal or cancellation notice. 215 ILCS 5/143.17a (d) and 215 ILCS 5/143.14(a)
12. Institute and maintain policies and procedures whereby the Company shall conduct and provide the audit documentation for new business policies that had expired. 215 ILCS 5/143(2)
13. Institute and maintain policies and procedures whereby the Company shall file and use an endorsement that follows its own practices and rules. 215 ILCS 5/143(2)
14. Institute and maintain policies and procedures whereby the Company shall conduct and provide the audit documentation for renewal policies that have expired. 215 ILCS 5/143(2)
15. Institute and maintain policies and procedures whereby the Company shall require a statement signed by the Producer as to whether the annuity would replace an existing annuity. 50 Ill. Adm. Code 917.70(a)
16. Institute and maintain policies and procedures whereby the Company shall certify whether the annuity would replace an existing annuity. 50 Ill. Adm. Code 917.60(a)(2)
17. Institute and maintain policies and procedures whereby the Company shall not misrepresent the terms of the policies issued along with any benefits or advantages of replacing the existing annuities. 215 ILCS 5/149(1)
18. Institute and maintain policies and procedures whereby the Company shall send a notice to the State's Attorney and failed to receive the required certificate prior to paying a claim for loss by fire or explosion where the amount recoverable exceeds \$25,000. 215 ILCS 5/397.1(a)
19. Institute and maintain policies and procedures whereby the Company shall provide senior management with an annual report providing evidence of the effectiveness of its supervision system. 50 Ill. Adm. Code 3150.50(f)(1)(F)
20. Institute and maintain policies and procedures whereby the Company shall not issue annuities without a reasonable basis to believe the annuities were suitable based on the consumers' suitability information. 50 Ill. Adm. Code 3120.50(c)
21. Institute and maintain policies and procedures whereby the Company shall maintain required procedures to review each recommendation and suitability information prior to issuance. 50 Ill. Adm. Code 3120.50(f)(1)(D)
22. Institute and maintain policies and procedures whereby the Company shall send a written explanation of the delay to the claimant. 50 Ill. Adm. Code 919.80(b)(3)
23. Institute and maintain policies and procedures whereby the Company shall provide evidence confirming it provided the required cumulative report of 2020-related claims to the insured employer within 30 days of the end of the calendar year. 820 ILCS 305/19(o)

24. Institute and maintain policies and procedures whereby the Company shall provide evidence confirming it provided the required cumulative report of 2021-related claims to the insured employer within 30 days of the end of the calendar year. 820 ILCS 305/19(o)
25. Institute and maintain policies and procedures whereby the Company shall acknowledge the claim. 215 ILCS 5/154.6(b)
26. Institute and maintain policies and procedures whereby the Company shall provide written notification to the insured employer explaining the basis for the denial. 215 ILCS 5/154.6(n)
27. Institute and maintain policies and procedures whereby the Company shall provide documentation detailing contacts with the claimant. 215 ILCS 5/154.6(b), (i) and 50 Ill. Adm. Code 919.30(c)
28. Institute and maintain policies and procedures whereby the Company shall file uniform bodily injury rate relativities for Chicago and have filed Territory Adjustment Groups having a net effect of eliminating the uniformity within the boundaries of Chicago. 215 ILCS 5/155.17
29. Institute and maintain policies and procedures whereby the Company shall file the Attract One model when utilized. 215 ILCS 157/40 and 50 Ill. Adm. Code 754.10(a) and (b)
30. Institute and maintain policies and procedures whereby the Company shall file the Companies' proprietary symbols and the symbol conversion or mapping methodology when ISO physical damage symbols have been converted. 50 Ill. Adm. Code 754.10(b)
31. Institute and maintain policies and procedures whereby the Company shall not use a rating plan that surcharges insureds when they had prior insurance with a nonstandard carrier. 215 ILCS 5/155.27
32. Institute and maintain policies and procedures whereby the Company shall not use Private Passenger Automobile General Rule 5 which does not clearly indicate how the credit score will apply in cases of more than one insured. 50 Ill. Adm. Code 754.10(b)
33. Institute and maintain policies and procedures whereby the Company shall not apply an incorrect Public Protection Classification code. 50 Ill. Adm. Code 754.10(b)(1)
34. Institute and maintain policies and procedures whereby the Company shall not use a rounding procedure deviated from the filed manual. 50 Ill. Adm. Code 754.10(b)
35. Institute and maintain policies and procedures whereby the Company shall provide evidence insureds were advised of the right to reject uninsured/underinsured motorist coverage which was more than the minimum limits. 215 ILCS 5/143a-2
36. Institute and maintain policies and procedures whereby the Company shall not provide a credit for prior insurance that never occurred or in which the Companies failed to properly validate. 50 Ill. Adm. Code 754.10(b)
37. Institute and maintain policies and procedures whereby the Company shall not fail to define or specify which credit score would be utilized when credit scores are obtained from multiple Applicants. 50 Ill. Adm. Code 754.10(b)(1)

38. Institute and maintain policies and procedures whereby the Company shall file the mapping structure used to convert the insurance scores to classifications necessary to rate policies. 50 Ill. Adm. Code 754.10(b)
39. Institute and maintain policies and procedures whereby the Company shall provide a written response to the complaint within 21 days of receipt. 215 ILCS 5/143d(b)
40. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above thirty-nine (39) orders within thirty (30) days of execution of this Order.
41. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$165,000.⁰⁰ to be paid within ten (10) days of execution of this Order.

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 THE CINCINNATI INSURANCE COMPANY, THE CINCINNATI CASUALTY COMPANY, THE CINCINNATI INDEMNITY COMPANY, and THE CINCINNATI LIFE INSURANCE COMPANY



Signature
Stephen M. Spray

Name
President

Title



THOMAS C. HOGAN, Attorney at Law
Notary Public, State of Ohio
My Commission has no expiration date
Section 147.03 R.C.


Subscribed and sworn to before me this 4 day of October, 2023.



Notary Public

DEPARTMENT OF INSURANCE of the State of Illinois:

DATE 10/4/2023



Dana Popish-Severinghaus
Director

