



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

VIA USPS CERTIFIED MAIL
RETURN RECEIPT REQUESTED

June 4, 2014

Maura C. Popp
Deputy General Counsel and Assistant V.P.
21st Century Insurance
3 Beaver Valley Road, 5th Floor
Wilmington, Delaware 19803

Re: 21st Century Insurance Companies
Market Conduct Examination Closing Letter

Dear Ms. Popp:

Attached you will find a fully executed copy of the Stipulation and Consent Order. Upon reviewing the Company's proof of compliance, the Department deems it acceptable, and will be closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Please contact me if you have any questions.

Sincerely,

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

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

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

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

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

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

Lysa Saran
Deputy Director
Consumer Outreach and Protection Division
Illinois Department of Insurance
Lysa.Saran@illinois.gov



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF

21ST CENTURY CENTENNIAL INSURANCE COMPANY - #34789
21ST CENTURY ASSURANCE COMPANY - #44245
21ST CENTURY CASUALTY COMPANY - #36404
21ST CENTURY NORTH AMERICA INSURANCE COMPANY - #32220
21ST CENTURY NATIONAL INSURANCE COMPANY - #36587
21ST CENTURY PREFERRED INSURANCE COMPANY - #22225
21ST CENTURY PREMIER INSURANCE COMPANY - #20796

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 131.21, 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Larry Nelson and associates as the proper persons to examine the insurance business and affairs of 21st Century Centennial Insurance Company, et al. (Companies) to make a full and true report to me of the examination made by them of the Companies with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

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

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 18th day of January, 2011



Michael T. McRath
Michael T. McRath

Director

Served this warrant by leaving
said copy with Maura Popp, at the
hour of 10:45 a.m. on February 15, A.D.,
2011.

Roger B. Neuber
EXAMINER



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF

21ST CENTURY INSURANCE COMPANY
6301 OWENSMOUTH AVENUE
WOODLAND HILLS, CALIFORNIA 91367

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 131.21, 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Larry Nelson and associates as the proper persons to examine the insurance business and affairs of 21st Century Insurance Company of Woodland Hills, California, and to make a full and true report to me of the examination made by them of 21st Century Insurance Company with a full statement of the condition and operation of the business and affairs of 21st Century Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of 21st Century Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 13th day of December, 2010



Michael T. McRair

Director

21st Century Centennial Insurance Company
21st Century Insurance Company
21st Century National Insurance Company
21st Century North America Insurance Company
21st Century Premier Insurance Company
21st Century Preferred Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: February 14, 2011 through
June 24, 2011

EXAMINATION OF: 21st Century Centennial Insurance
Company, NAIC # 34789

21st Century Insurance Company,
NAIC # 12963

21st Century National Insurance
Company, NAIC #36587

21st Century North America
Insurance Company, NAIC #32220

21st Century Premier Insurance
Company, NAIC # 20796

21st Century Preferred Insurance
Company, NAIC #22225

LOCATION OF EXAMINATION: 3 Beaver Valley Road
Wilmington, Delaware 19803

PERIOD COVERED BY
EXAMINATION: January 1, 2010 through
December 31, 2010

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

INDEX

I.	SUMMARY.....	Page 1 - 5
II.	METHODOLOGY.....	Page 6 - 8
III.	FINDINGS.....	Page 9 - 14
	A. Risk Selection.....	Page 9 - 10
	1. Private Passenger Auto Cancellations	
	2. Private Passenger Auto Nonrenewals	
	3. Motorcycle Cancellations	
	4. Motorcycle Nonrenewals	
	5. Commercial Auto Cancellations	
	6. Commercial Auto Nonrenewals	
	B. Underwriting.....	Page 10
	1. Private Passenger Auto New Business	
	C. Claims.....	Page 10 - 13
	1. Private Passenger Auto First Party Median & Paid	
	2. Private Passenger Auto First Party Closed Without Payment	
	3. Private Passenger Auto Third Party Median & Paid	
	4. Private Passenger Auto Third Party Closed Without Payment	
	5. Private Passenger Auto Total Losses – First Party	
	6. Auto Subrogation	
	D. Complaints.....	Page 13 - 14
	1. DOI Complaints	
	2. Consumer Complaints	
IV.	ADDITIONAL and INTERRELATED FINDINGS.....	Page 14
V.	TECHNICAL APPENDICES.....	Page 15

I. SUMMARY

1. The Company was criticized under 215 ILCS 5/132(2) for failing to provide the signed insured request to cancel as requested. The Company is further in violation of 215 ILCS 5/143.19. If a request to cancel cannot be provided then the only reason that an auto policy can be canceled midterm is for one of the reasons provided in Section 5/143.19. None of the midterm cancellations reviewed were for any of those reasons.

A General Trend Criticism was issued in the Private Passenger Automobile Cancellation Survey in the 21st Century National Insurance Company, the Agency Business.

2. The Company was criticized under 215 ILCS 5/143.16 for failing to provide a 10 day notice of cancellation for nonpayment of premium.

A Class Criticism was issued in the Commercial Auto Cancellation Survey in 21st Century National.

3. The Company was criticized under 215 ILCS 5/132(2) for failing to provide the signed insured request to cancel as requested. The Company is further in violation of 215 ILCS 5/143.19. If a request to cancel cannot be provided then the only reason that an auto policy can be canceled midterm is for one of the reasons provided in Section 5/143.19. None of the midterm cancellations reviewed were for any of those reasons.

A General Trend Criticism was issued in the Commercial Auto Cancellation Survey in 21st Century National.

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

A Class Criticism was issued in the Commercial Auto Nonrenewal Survey in 21st Century National.

5. The Company was criticized under 215 ILCS 5/143.17a(d) for failing to provide proof of mailing of the notice of intention to nonrenew.

A General Trend Criticism was issued in the Commercial Auto Nonrenewal Survey in 21st Century National.

6. The Company was in violation of 50 Ill. Adm. Code 754.10 for failing to file the rates and/or rules being used to issue auto new business policies.

A Class Criticism applies and was issued in the Auto New Business Survey.

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

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

8. The Company was criticized in the Private Passenger Auto First Party Paid Survey for a Claim Overpayment and/or Policy Contract Violation when making a claim payment twice creating an overpayment of \$656.10.
9. The Company was criticized for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days as is required by and outlined in 50 Ill. Adm. Code 919.80(b)(2).

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

10. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to include the Notice of Availability of the Department of Insurance on the denial sent the insured.

A Class Criticism applies in the Private Passenger Automobile First Party Closed Without Payment Survey.

11. The Company was criticized for failing to provide the third party with a reasonable written explanation for the delay when the claim remained unresolved for more than 60 calendar days as is required by and outlined in 50 Ill. Adm. Code 919.80(b)(3).

A Class Criticism was issued in the Auto Third Party Paid Survey.

12. The Company was criticized for failing to provide the third party with a reasonable written explanation for the delay when the claim remained unresolved for more than 60 calendar days as is required by and outlined in 50 Ill. Adm. Code 919.80(b)(3).

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

13. The Company was criticized under 215 ILCS 5/154.6(c) and/or 215 ILCS 5/154.6(d) for failing to have standards for the prompt investigation and settlement of claims in order to effectuate prompt, fair and equitable settlement when liability was reasonably clear and creating undetermined underpayments. The Company is reopening the files.

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

14. The Company was criticized for failing to make a bonafide effort to communicate with the third party when liability was clearly against their insured. The Company was in violation of 215 ILCS 5/154.6(c) as defined in 50 Ill. Adm. Code 919.40 creating undetermined underpayments. The Company has reopened the files.

15. The Company was criticized under 50 Ill. Adm. Code 919.90(c) for advising the third party claimant to file a claim with their own insurance company when the insured driver was clearly at fault creating undetermined underpayments. The Company is reopening the files.

16. When the claim remained unresolved for more than 40 calendar days, the Company was criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide a written explanation for the delay or failing to provide that explanation within 40 days and/or failing to provide the Availability of the Department of Insurance on the explanation and/or failing to provide the Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40 and/or failing to provide an explanation that is reasonable and fully understandable.

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

17. The Company was criticized under 215 ILCS 5/154.6(d) and/or 215 ILCS 5/154.6(r) as related to "equitable settlement" and to any possible hint of discrimination...and...as related to "sales taxes and transfer and title fees" discussed in 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to treat total loss insureds equally when paying tax, title and transfer fees. Company practice is to pay title and transfer fees up front with the settlement and then pay sales tax upon proof of a replacement vehicle. The Company failed to be consistent which created underpayments totaling \$897.00. Reimbursements have been made.

A Class Criticism was issued in the Private Passenger Automobile Total Loss Survey.

18. The Company was criticized for failing to provide the insured with informational letters commonly known as the right of recourse letter and/or EXHIBIT A letter

as is required by and outlined in 50 Ill. Adm. Code 919.80(c), 50 Ill. Adm. Code 919.80(c)(2)(F) and 919.EXHIBIT A Total Loss Automobile Claims.

A Class Criticism was issued in the Private Passenger Automobile Total Loss Survey.

19. The Company was criticized in 50 Ill. Adm. Code 919.30(c) for failing to maintain documentation of the replacement vehicle when the insured replaced his or her total loss vehicle. Company practice is to pay sales tax upon proof of a replacement vehicle.

A General Trend Criticism was issued in the Private Passenger Automobile Total Loss Survey.

20. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to pay the correct title and transfer fees on the insured total loss vehicle creating three (3) underpayments totaling \$120.00. Reimbursements have been made.
21. The Company was criticized under 215 ILCS 5/143b for failing to return the correct deductible amount to their insured creating two (2) overpayments totaling \$59.75.
22. As outlined in 50 Ill. Adm. Code 919.80(b)(2), an unreasonable delay to pay automobile collision claims exists when the median payment period exceeds 40 calendar days. The private passenger auto first party median was 12 days.
23. As outlined in 50 Ill. Adm. Code 919.80(b)(3), an unreasonable delay to pay automobile property damage liability claims exists when a median payment period exceeds 60 days. The median payment period was 19 days with subrogation, arbitration and litigation files included and 14 days when excluded.
24. The Company in maintaining Department of Insurance Complaints was criticized under 50 Ill. Adm. Code 926.50 for failing to maintain those complaints as outlined in Exhibit A and as defined in Exhibit B.

A Class Criticism was issued in the Department Complaints Survey.

25. The Company in maintaining complaints received directly from the consumer was criticized under 50 Ill. Adm. Code 926.50 for failing to maintain those complaints as outlined in Exhibit A and as defined in Exhibit B.

A Class Criticism was issued in the Consumer Complaints Survey.

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

26. From the Company response to Interrogatory #1 - In the 21st Century National Insurance Company (the agency business) the Company is criticized under 215 ILCS 5/143.25a for failing to inform automobile insureds, prior to the first renewal, of the availability of higher collision and comprehensive deductibles and that a premium savings could result if the higher deductibles were purchased.

A Class Criticism applies in the Private Passenger Automobile New Business Surveys.

27. When delay letters were due auto insureds or third party claimants, the Company failed to provide the reasonable written explanation for the delay in 291 of 291 instances or 100.00% of the time. Failure to provide these written explanations as required and outlined are violations of 50 Ill. Adm. Code 919.80(b)(2) and 50 Ill. Adm. Code 919.80(b)(3).

Class Criticisms were issued in each of the individual surveys below.

<u>Survey</u>	<u># of times delay letter was due</u>	<u># of times in violation</u>
First Party Auto Median & Paid	90	90
First Party Auto C.W.P.	70	70
Third Party Auto Median & Paid	32	32
Third Party Auto C.W.P	50	50
Total Losses	<u>49</u>	<u>49</u>
	291	291

II. METHODOLOGY

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

The following categories are the general areas examined:

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

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

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

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

Risk Selection

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

Underwriting

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

Claims

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

Complaints

Complaints were requested based on those received by the Company in calendar year 2010.

Selection of Samples

A.	Risk Selection	Total <u>Files</u>	# <u>Reviewed</u>	% <u>Reviewed</u>
1.	Private Passenger Automobile Cancellations	5659	262	4.63
2.	Private Passenger Automobile Nonrenewals	4180	235	5.62
3.	Motorcycle Cancellations	86	86	100.00
4.	Motorcycle Nonrenewals	39	39	100.00
5.	Commercial Auto Cancellations	39	39	100.00
6.	Commercial Auto Nonrenewals	266	80	30.08
B.	Underwriting			
1.	Private Passenger Auto New Business	8717	115	1.32
C.	Claims			
1.	First Party Auto Median & Paid	1813	112	6.18
2.	First Party Auto C.W.P	1005	70	6.97
3.	Third Party Auto Median & Paid	1522	109	7.16
4.	Third Party Auto C.W.P.	748	96	12.83
5.	Auto Total Losses – First Party	399	50	12.53
6.	Auto Subrogation	301	76	25.25
D.	Complaints			
1.	Department Complaints	14	14	100.00
2.	Consumer Complaints	74	74	100.00

III. FINDINGS

A. Risk Selection

1. Private Passenger Automobile Cancellations

In 21st Century National Insurance Company, the Agency Business, the Company requires the producer to maintain a cancellation request signed by the insured when the cancellation is due to a request by the insured. The examiner requested copies of those signed requests. In 14 of the 58 insured request to cancel files (24.14%), the Company failed to provide the signed requests. Failure to provide records and/or documents is a violation of 215 ILCS 5/132(2). The Company is also in violation of 215 ILCS 5/143.19. Without an insured request to cancel, those policies were canceled midterm and midterm cancellations are only allowed if the reason is one of the reasons listed in Section 5/143.19. None of the policies were canceled due to one of those reasons. A General Trend Criticism was issued.

2. Private Passenger Automobile Nonrenewals

In the 21st Century National Insurance Company, the Agency Business, auto nonrenewal survey, there were 56 Company initiated nonrenewals in which a notice of nonrenewal was mailed to the insured and renewal in Bristol West was *not* offered. Ten of those nonrenewals (17.86%) failed to advise the named insured of the right to appeal as outlined in 215 ILCS 5/143.23. A General Trend Criticism was issued.

In the 21st Century Direct Business, there were nine (9) Company initiated nonrenewals in which a notice of nonrenewal was mailed to the insured. One (1) of those nonrenewals failed to advise the insured of the right to appeal as outlined in 215 ILCS 5/143.23. An individual Criticism was issued.

In 21st Century National Insurance Company of the 56 company initiated nonrenewals, the Company was in violation of 215 ILCS 5/143.17 for failing to maintain sufficient proof of mailing as required. Proofs were provided but were unreadable.

3. Motorcycle Cancellations (21st Century National, the Agency Business)

In 21st Century National Insurance Company, the Agency Business, the Company requires the producer to maintain a cancellation request signed by the insured when the cancellation is due to a request by the insured. The examiner requested copies of those signed requests. In five (5) of the

82 insured request to cancel files (6.10%), the Company failed to provide the signed requests. Failure to provide records and/or documents is a violation of 215 ILCS 5/132(2).

4. Motorcycle Nonrenewals (21st Century National)

There were no criticisms issued.

5. Commercial Auto Cancellations (21st Century National)

In 21st Century National Insurance Company, the Agency Business, the Company requires the producer to maintain a cancellation request signed by the insured when the cancellation is due to a request by the insured. The examiner requested copies of those signed requests. In 12 of the 37 insured request to cancel files (32.43%), the Company failed to provide the signed requests. Failure to provide records and/or documents is a violation of 215 ILCS 5/132(2). A General Trend Criticism was issued for an error ratio of 32.43%.

6. Commercial Auto Nonrenewals (21st Century National)

The Company was nonrenewing all policies in 21st Century National. The Company failed to inform the Director they were terminating the commercial auto business and was in violation of 215 ILCS 5/143.11a. A Class Criticism was issued. A Class Criticism was issued.

In 25 of 80 files (31.25%) the Company failed to provide sufficient proof of mailing of the notice of nonrenewal, a violation of 215 ILCS 143.17a(d). A General Trend Criticism was issued.

B. Underwriting

1. Automobile New Business

The Company was in violation of 50 Ill. Adm. Code 754.10 for failing to use filed rules and/or rates. A Class Criticism was issued.

C. Claims

1. First Party Auto Median & Paid

The median payment period was 12 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	96	84.96
31-60	12	10.62

61-90	3	2.65
91-180	2	1.77
181-365	0	0.00
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	113	100.00

The examiner reviewed 90 claims that remained unresolved in excess of 40 days and required a delay letter. The Company failed to provide that explanation as outlined in 50 Ill. Adm. Code 919.80(b)(2) in 90 of those files (100.00%). A Class Criticism was issued.

In one (1) file (0.89% of all 112 files examined) the Company made a claim payment twice creating an overpayment of \$656.10 and Claim Overpayment and Policy Contract Violation.

2. First Party Auto Closed Without Payment

Seventy claim files were examined and remained unresolved in excess of 40 days. All of those files required a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company failed to do so in 70 files (100.00%). A Class Criticism was issued.

One file was denied and a denial letter was sent to the insured. The Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to provide on or with the denial letter to the insured, the Notice of Availability of the Department of Insurance as outlined in 50 Ill. Adm. Code 919.50(a)(1). An error ratio of 100% applies. A Class Criticism was issued.

3. Third Party Auto Median & Paid

As outlined in 50 Ill. Adm. Code 919.80(b)(3), an unreasonable delay to pay automobile property damage liability claims exists when a median payment period exceeds 60 days. The median payment period was 19 days with arbitration, subrogation and litigation files included. When excluded the median was 14 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	70	76.09
31-60	13	14.13
61-90	3	3.26
91-180	6	6.52
181-365	0	0.00
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	92	100.00

Thirty-two claims remained unresolved in excess of 60 days and required a delay letter. The Company failed to provide a reasonable written explanation for the delay to the third party claimant as required by Ill. Adm. Code 919.80(b)(3) in 32 of those files (100.00%). A Class Criticism was issued.

4. Third Party Auto Closed Without Payment

Fifty claims remained unresolved in excess of 60 days and required a delay letter. The Company failed to provide a reasonable written explanation for the delay to the third party claimant as required by 50 Ill. Adm. Code 919.80(b)(3) in 50 of those files (100.00%). A Class Criticism was issued.

In eight (8) files (8.33% of the 96 total examined) the Company failed to adopt and implement reasonable standards for prompt investigations and settlement of claims and failed to effectuate a prompt, fair and equitable settlement in violation of 215 ILCS 5/154.6(c) and 5/154.6(d). The claims remained unresolved creating undetermined underpayments. The Company is reopening those files. A General Trend Criticism was issued.

In two (2) files (2.08% of the 96 examined) the Company failed to contact the third party when liability was clearly against their insured. Failing to conduct a prompt investigation as required by 215 ILCS 5/154.6(c) and as defined in 50 Ill. Adm. Code 919.40 created undetermined underpayments. The Company reopened the claim files.

In two (2) files (2.08% of the 96 examined) the Company was in violation of 50 Ill. Adm. Code 919.90(c) when advising the third party claimant to file the claim with their carrier when it was reasonably clear that liability was against this Company's insured. The Company has reopened the files.

5. Auto Total Losses - First Party

Forty-nine claims remained unresolved in excess of 40 calendar days and required the Company to provide the insured with a reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company failed to provide that explanation as required and as outlined in 49 of the 49 files (100%). There was no explanation sent to the insured in 35 files. In two (2) additional files an explanation was sent but not within 40 days. In nine (9) files there was no Availability of the Department of Insurance. In five (5) files, when the Availability was included, the Company failed to include the Chicago office and in seven (7) files the explanation failed to be reasonable and

fully understandable. Some of these criticized files were criticized for more than one (1) error. A Class Criticism was issued.

The Company's practice of paying title and transfer fees up front with the settlement and then paying sales tax upon proof of a replacement vehicle was applied inconsistently and resulted in the Company's failure to attempt in good faith to effectuate prompt, fair and equitable settlement of claims in which liability has become reasonably clear in violation of 215 ILCS 5/154.6(d) and 215 ILCS 5/154.6(r) and 50 Ill. Adm. Code 919.80(c)(3)(A)(i). This conduct created underpayments totaling \$897.00. Reimbursements have been made. A Class Criticism was issued.

In 44 files (88% of the 50 files examined) the Company was in violation of 50 Ill. Adm. Code 919.80(c) for failing to send Exhibit A to all insureds who experienced a total loss to their vehicle (39 files) or failing to send the Exhibit A within seven (7) days of when the vehicle was determined to be a total loss (5 files). A Class Criticism was issued.

In 17 files the company paid sales tax. Of those 17 files, 8 files (47.06%) failed to have evidence of a replacement vehicle. The Company is in violation of 50 Ill. Adm. Code 919.30(c) for failing to maintain documentation of the replacement vehicle. A General Trend Criticism was issued.

In three (3) files (6.00% of the 50 files examined) the Company failed to pay the correct title and transfer fees to the insured. Company practice is the pay those fees up front with the settlement. The Company was in violation of 50 Adm. Code 919.80(c)(3)(A)(i), creating underpayments of \$120.00. Reimbursements have been made.

In two (2) files (4.00% of the 50 files examined) the verbiage on the check/draft payable to the insured inferred or indicated that the payment was "final" in violation of 50 Ill. Adm. Code 919.60(a).

6. Auto Subrogation

Seventy-six subrogation files were examined. The Company failed to return the correct deductible to the insured in violation of 215 ILCS 5/143b, resulting in two (2) overpayments totaling \$59.75.

D. Complaints

1. Department Complaints

There were 14 Department of Insurance Complaints. When maintaining Department of Insurance Complaints the Company failed to maintain

those complaints as outlined in Exhibit A and as defined in Exhibit B. The Company was in violation of 50 Ill. Adm. Code 926.50. A Class Criticism was issued.

2. Consumer Complaints

Seventy-four Consumer Complaints were examined. When maintaining complaints received directly from the consumer, the Company failed to maintain those complaints as outlined in Exhibit A and as defined in Exhibit B. The Company was in violation of 50 Ill. Adm. Code 926.50. A Class Criticism was issued. A Class Criticism was issued.

IV. ADDITIONAL AND INTERRELATED FINDINGS

1. From the Company response to Interrogatory #1 - In the 21st Century National Insurance Company (the agency business) the Company is criticized under 215 ILCS 5/143.25a for failing to inform automobile insureds, prior to the first renewal, of the availability of higher collision and comprehensive deductibles and that a premium savings could result if the higher deductibles were purchased. A Class Criticism applies.

When delay letters were due auto insureds or third party claimants, the Company failed to provide the reasonable written explanation for the delay in 291 of 291 instances or 100.00% of the time. Failure to provide these written explanations as required and outlined are violations of 50 Ill. Adm. Code 919.80(b)(2) and 50 Ill. Adm. Code 919.80(b)(3). Class Criticisms were issued in each of the individual surveys below.

<u>Survey</u>	<u># of times delay letter was due</u>	<u># of times in violation</u>
First Party Auto Median & Paid	90	90
First Party Auto C.W.P.	70	70
Third Party Auto Median & Paid	32	32
Third Party Auto C.W.P	50	50
Total Losses	<u>49</u>	<u>49</u>
	291	291

VI. TECHNICAL APPENDICES

None.

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

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

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of the following:

- 21st Century Centennial Insurance Company, NAIC # 34789
 - 21st Century Insurance Company, NAIC #12963
 - 21st Century National Insurance Company, NAIC #36587
 - 21st Century North America Insurance Company, NAIC #32220
 - 21st Century Premier Insurance Company, NAIC #20796
 - 21st Century Preferred Insurance Company, NAIC #22225
- (collectively referred to as the "Companies")

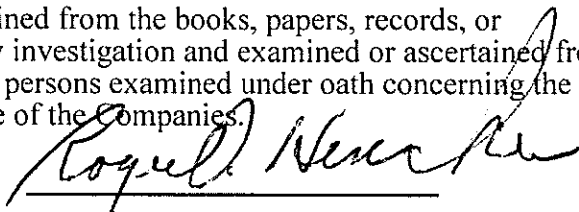
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to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

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies' affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

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

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

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

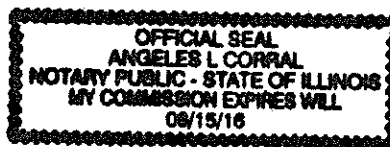


Roger O. Henschen
Examiner-In-Charge

Subscribed and sworn to before me
this 24th day of September, 2013.



Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

21st Century Centennial Insurance Company, NAIC # 34789
21st Century Insurance Company, NAIC #12963
21st Century National Insurance Company, NAIC #36587
21st Century North America Insurance Company, NAIC #32220
21st Century Premier Insurance Company, NAIC #20796
21st Century Preferred Insurance Company, NAIC #22225

STIPULATION AND CONSENT ORDER

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

WHEREAS, 21st Century Centennial Insurance Company, NAIC # 34789; 21st Century Insurance Company, NAIC #12963; 21st Century National Insurance Company, NAIC #36587; 21st Century North America Insurance Company, NAIC #32220; 21st Century Premier Insurance Company, NAIC #20796; 21st Century Preferred Insurance Company, NAIC #22225 (collectively referred to as the "Companies") are authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Companies was conducted by duly qualified examiners of the Department pursuant to Sections 132, 401, 402, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, and 5/425) covering the period of January 1, 2010 through December 31, 2010; and

WHEREAS, said report cited various areas in which the Companies were 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 Companies 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 Companies;

WHEREAS, the Companies are aware of and understand the various rights of the Companies 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 Companies understand and agree that by entering into this Stipulation and Consent Order, the Companies waive any and all rights to notice and hearing; and

WHEREAS, the Companies 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 Companies and the Director as follows:

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

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

1. Institute and maintain procedures whereby an insured signed request to cancel is maintained when canceling private passenger auto policies to avoid being in conflict with 215 ILCS 5/143.19 and/or 215 ILCS 5/132(2).
2. Institute and maintain procedures to provide a 10 day notice of cancellation when canceling a commercial auto policy for nonpayment of premium as required by 215 ILCS 5/143.16.
3. Institute and maintain procedures whereby an insured signed request to cancel is maintained when canceling a commercial auto policy to avoid being in conflict with 215 ILCS 5/143.19 and/or 215 ILCS 5/132(2).
4. Institute and maintain procedures whereby the Company notifies the Director when terminating a line of business as required by 215 ILCS 5/143.11a.
6. Institute and maintain procedures whereby the proof of mailing of the notice of nonrenewal is maintained as required by 215 ILCS 5/143.17a(d) when nonrenewing a commercial auto policy.
7. Institute and maintain procedures whereby policies are issued with the rates in effect at the time the policy is effective instead of when a quote was given to avoid being in conflict with 50 Ill. Adm. Code 754.10.

8. Institute and maintain procedures to inform insureds, prior to the first renewal of their automobile policy, of the availability of higher collision and comprehensive deductibles and that a premium savings could result if the higher deductibles were purchased as required by 215 ILCS 143.25a.
9. Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days and eventually will be closed with payment or the auto repaired is provided a written explanation for the delay as required by 50 Ill. Adm. Code 919.80(b)(2).
10. Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days and eventually will be closed without payment is provided a written explanation for the delay as required by 50 Ill. Adm. Code 919.80(b)(2).
11. Institute and maintain procedures whereby a private passenger automobile insured whose collision claim is being denied is provided the Notice of Availability of the Department of Insurance on the written explanation of the basis of the denial as required by 50 Ill. Adm. Code 919.50(a)(1).
12. Institute and maintain procedures whereby a third party claimant who receives property damage payments from the Company under an insured private passenger automobile policy is provided a reasonable written explanation for the delay when the claim remains unresolved for more than 60 calendar days as required by 50 Ill. Adm. Code 919.80(b)(3).
13. Institute and maintain procedures whereby a third party claimant whose property damage claim is closed without payment but had remained unresolved for more than 60 calendar days is provided a written explanation for the delay as required by 50 Ill. Adm. Code 919.80(b)(3).
14. Institute and maintain procedures to maintain standards for the prompt investigation of claims to ensure and effectuate a prompt, fair and equitable settlement when liability is reasonably clear as required by 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d).
15. Institute and maintain procedures whereby a private passenger automobile insured who experiences a total loss to their vehicle and the claim remains unresolved for more than 40 days is provided a written explanation for the delay as required by 50 Ill. Adm. Code 919.80(b)(2).
16. Institute and maintain procedures whereby the Companies ensure the practice relating to paying title, transfer fees, and sales tax upon proof of a replacement vehicle is applied consistently and in accordance with 50 Ill. Adm. Code 919.80(c)(3)(A)(i) to ensure the Companies are attempting in good faith to effectuate prompt, fair and equitable

settlement of claims in which liability has become reasonably clear as required by of 215 ILCS 5/154.6(d), 215 ILCS 5/154.6(r) and 50 Ill. Adm. Code 919.80(c)(3)(A)(i).

17. Institute and maintain procedures whereby an insured who experiences a total loss to their vehicle is provided the informational letter commonly known as the right of recourse letter and/or Exhibit A and is provided that letter within seven (7) days of the determination of a total loss as required by 50 Ill. Adm. Code 919.80(c), 50 Ill. Adm. Code 919.80(c)(2)(F) and 919 EXHIBIT A Total Loss Automobile Claims.
18. Institute and maintain procedures whereby the Company has the documentation of the replacement vehicle as required by 50 Ill. Adm. Code 919.30(c) when paying sales tax.
19. Institute and maintain procedures whereby Department of Insurance Complaints are maintained as required by 50 Ill. Adm. Code 926.50 and defined in 50 Ill. Adm. Code 926.Exhibit A and 50 Ill. Adm. Code 926.ExhibitB.
20. Institute and maintain procedures whereby Consumer Complaints, those received directly from the consumer, are maintained as required by 50 Ill. Adm. Code 926.50 and defined in 50 Ill. Adm. Code 926.Exhibit A and 50 Ill. Adm. Code 926.Exhibit B.
21. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above 20 Orders within 30 days of receipt of these Orders.
22. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$50,000 to be paid within 30 days of the execution of these Orders.

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

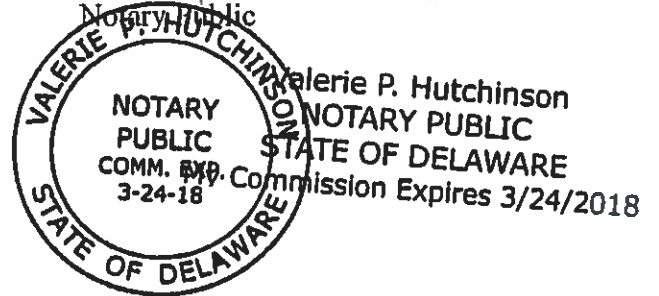
On behalf of:

21st CENTURY CENTENNIAL INSURANCE COMPANY, NAIC #34789
21st CENTURY INSURANCE COMPANY, NAIC #12963

Maura C Popp
Signature
MAURA C POPP
Name
SECRETARY
Title

Subscribed and sworn to before me this
27th day of May A.D. 2014.

Valerie P. Hutchinson



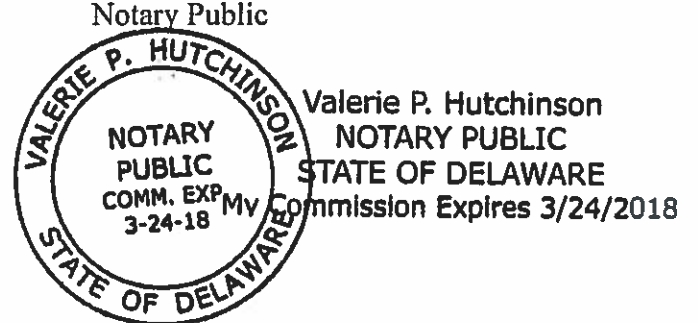
On behalf of:

21st CENTURY NATIONAL INSURANCE COMPANY, NAIC #36587
21st CENTURY NORTH AMERICA INSURANCE COMPANY, NAIC #32220
21st CENTURY PREMIER INSURANCE COMPANY, NAIC #20796
21st CENTURY PREFERRED INSURANCE COMPANY, NAIC #22225

William D Loucks Jr.
Signature
William D Loucks Jr.
Name
President
Title

Subscribed and sworn to before me this
27th day of May A.D. 2014.

Valerie P. Hutchinson



DATE: 6-2-14

DEPARTMENT OF INSURANCE of the
State of Illinois:

Andrew Boron

Andrew Boron
Director