



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

VIA ELECTRONIC MAIL

April 2, 2018

Mr. Michael J. Rosenstein
President
First Chicago Insurance Company
6640 South Cicero Avenue
Bedford Park, IL 60638-5838

Re: First Chicago Insurance Company, NAIC 13587
Market Conduct Examination Report Closing Letter

Dear Mr. Rosenstein:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. 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,

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
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Springfield, IL 62767
217-558-1058
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**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF**

First Chicago Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 23, 2017 through October 27, 2017

EXAMINATION OF: First Chicago Insurance Company
NAIC Number: 13587

LOCATION OF EXAMINATION: 6640 South Cicero Avenue
Bedford Park, Illinois 60638-5838

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: March 1, 2016 through February 28, 2017
Complaints – September 1, 2015 through February 28, 2017

EXAMINERS: John C. Watts
Aubrey Powell
Roger O. Henschen, Examiner-in-Charge

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I. SUMMARY

A comprehensive market conduct examination of First Chicago Insurance Company (the “Company” or “FCIC”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

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

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
1	50 Ill. Adm. Code 926.50	DOI Complaints: log not maintained correctly (63 complaints on log)	1 log-63 files	1 log-63 files	1 log-63 files	100%
2	50 Ill. Adm. Code 926.40(b)(1)	DOI Complaints: failed to respond to all concerns noted in complaint	63	63	8	12.70%
3	50 Ill. Adm. Code 926.50	Consumer Complaints: log not maintained correctly (4 complaints on log)	1 log-4 files	1 log-4 files	1 log-4 files	100%
9	215 ILCS 5/143.20	PPA 60 Day Cancels: no notice regarding Ill Auto Insurance Plan	105	75	38	50.67%
8	215 ILCS 5/143.15	PPA 60 Day Cancels: nonspecific reason	105	75	21	28.00%
10	215 ILCS 5/143.14(a)	PPA 60 Day Cancels: no proof of mailing	105	75	2	2.67%
14	215 ILCS 5/143.17(e)	PPA Nonrenewals (renewed less than 5 years): nonspecific reason	167	78	24	30.77%
15	215 ILCS 5/143.17(a)	PPA Nonrenewals (renewed less than 5 years): lien holder notice not exact notice as insured notice	167	78	10	12.82%
18	215 ILCS 5/143.17(e)	PPA Nonrenewals (renewed 5 or more years): nonspecific reason	10	10	5	50.00%
19	215 ILCS 5/143.19.1(g)	PPA Nonrenewals (renewed 5 or more years): no 60 day advance notice	10	10	4	40.00%
17	215 ILCS 5/143.17(a)	PPA Nonrenewals (renewed 5 or more years): lien holder notice not exact notice as insured notice	10	10	2	20.00%
37	215 ILCS 5/143.16	Commercial Auto (excl. Taxis) 60 Day Cancels: 2 nonspecific reason and 1 less than 30 day notice	13	13	3	23.08%
22	215 ILCS 5/143.16	Commercial Auto Taxi 60 Day Cancels: less than 30 day notice	26	26	2	7.69%
32	215 ILCS 5/143.14(a)	Commercial Auto Taxi Non-Pay Cancels: no proof of mailing	248	84	2	2.38%
67	215 ILCS 5/143.14(a)	Work Comp Non-Pay Cancels: no proof of mailing	28	28	2	7.14%
6	50 Ill. Adm. Code 754.10	PPA New Bus: fail to follow rules for applying rates (\$3.40 overcharge refunded)	10,123	116	2	1.72%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
25	215 ILCS 5/143a-2	Taxi New Bus: no rejection of coverage in excess of uninsured motorist limits in file	1202	114	2	1.75%
59	215 ILCS 5/143.17a(b)	Commercial Auto Renewals (excl. Taxis): no 60 day advance notice of changes in coverage	151	20	1	5.00%
60	215 ILCS 5/143.17a(d)	Commercial Auto Renewals (excl. Taxis): no proof of mailing of renewal or written notice of changes in coverage	151	20	1	5.00%
57	215 ILCS 5/143.17a(b)	Taxi Renewals: no 60 day advance notice of changes in coverage	2564	115	115	100%
58	215 ILCS 5/143.17a(d)	Taxi Renewals: no proof of mailing of renewal or written notice of changes	2564	115	115	100%
5	215 ILCS 5/500-80(a)	Producer Licensing Commissions Paid: Producer not licensed	4889	115	2	1.74%
27	50 Ill. Adm. Code 919.80(c)	PPA 1 st Party Paid: failure to provide complete Exhibit A	663	105	16	15.24%
21	50 Ill. Adm. Code 919.60(a)	PPA 1 st Party Paid: "final" on payment to insured	663	105	6	5.71%
30	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 st Party Paid: failure to provide a delay letter or to provide a reasonable explanation for the delay	663	105	4	3.81%
29	50 Ill. Adm. Code 919.50(a)	PPA 1 st Party Paid: payment not timely – not offered within 30 days	663	105	3	2.86%
28	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA 1 st Party Paid: failure to pay transfer and title fees (\$145.00 paid)	663	105	2	1.90%
31	50 Ill. Adm. Code 919.80(d)(3)	PPA 1 st Party Paid: storage fee deduction when not caused by insured (\$450.00 paid)	663	105	1	0.95%
12	50 Ill. Adm. Code 919.50(a)(1)	PPA 1 st Party CWP: failure to provide proper denial letter or to provide Notice of Availability of DOI in letter	558	105	6	5.71%
16	50 Ill. Adm. Code 919.50(a)	PPA 1 st Party CWP: failure to pay within 30 days of liability affirmation (\$2,401.07 paid)	558	105	3	2.86%
11	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 st Party CWP: failure to provide a delay letter	558	105	3	2.86%
7	50 Ill. Adm. Code 919.30(c)	PPA 1 st Party CWP: detailed documentation missing	558	105	1	0.95%
51	50 Ill. Adm. Code 919.80(d)(2)	PPA 3 rd Party Paid: fail to inform claimant where to rent vehicle (\$295.59 paid)	447	83	19	22.89%
53	50 Ill. Adm. Code 919.30(c)	PPA 3 rd Party Paid: detailed documentation missing (\$2.00 paid)	447	83	2	2.41%
52	50 Ill. Adm. Code 919.80(d)(4)(A)(ii)	PPA 3 rd Party Paid: deducted over \$500.00 for rust and wear and tear (\$68.02 paid)	447	83	1	1.20%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
50	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party Paid: failure to provide a delay letter	447	83	1	1.20%
33	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 rd Party CWP: failure to provide a delay letter	462	83	3	3.61%
34	50 Ill. Adm. Code 919.50(a)(2)	PPA 3 rd Party CWP: failure to send denial letter	462	83	1	1.20%
38	50 Ill. Adm. Code 919.80(c)	PPA Total Losses: Exhibit A not sent, sent late, or not correct	157	76	46	60.53%
39	50 Ill. Adm. Code 919.80(c)(2)	PPA Total Losses: not using source (CCC) correctly (\$2,230.13 paid)	157	76	12	15.79%
47	50 Ill. Adm. Code 919.80(d)(3)	PPA Total Losses: failure to pay reasonable storage/towing (\$2,415.00 paid)	157	76	8	10.53%
40	50 Ill. Adm. Code 919.80(b)(2)	PPA Total Losses: failure to send a delay letter, send the delay letter timely, or to provide a reasonable explanation for the delay	157	76	13	17.11%
41	50 Ill. Adm. Code 919.60(a)	PPA Total Losses: 'Final' on payment to insured	157	76	6	7.89%
44	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA Total Losses: failure to pay transfer and title fees (\$170.00 paid)	157	76	3	3.95%
42	50 Ill. Adm. Code 919.30(c)	PPA Total Losses: detailed documentation missing (\$609.00 paid)	157	76	2	2.63%
45	50 Ill. Adm. Code 919.80(d)(4)(A)(ii)	PPA Total Losses: deducted over \$500.00 for rust and wear and tear (\$1,224.00 paid)	157	76	1	1.32%
46	50 Ill. Adm. Code 919.50(a)	PPA Total Losses: failed to make payment in 30 days (\$209.72 paid)	157	76	1	1.32%
56	215 ILCS 5/143b	PPA Subrogation: fail to pay pro rata share of deductible (\$488.33 paid)	52	52	4	7.69%
63	215 ILCS 5/154.6(b)	Taxi 3 rd Party CWP: failed to acknowledge communication timely	63	25	2	8.00%
64	215 ILCS 5/154.6(c)	Taxi 3 rd Party CWP: failed to have reasonable standards to promptly investigate and settle its claims	63	25	2	8.00%
35	820 ILCS 305/8.2(d)(1)	Work Comp Paid: failed to pay provider within 30 days	272	82	2	2.44%
36	820 ILCS 305/8.2(d)(3)	Work Comp Paid: failed to pay interest on late payments (\$162.57 paid)	272	82	2	2.44%

II. BACKGROUND

FIRST CHICAGO INSURANCE COMPANY

The Company was incorporated under the laws of Illinois on December 14, 1920, as Chicago Ice Producers Mutual Liability Company and began business January 1, 1921, under the auspices of the Chicago District Ice Association. Effective August 2, 1961, operations were conducted under the title Chicago Mutual Liability Company. Between April 10, 1997 to February 28, 2006, operations were conducted under the title Chicago Mutual Insurance Company (CMIC). The conversion of CMIC from a mutual company to a stock insurance company was formally approved by the policyholders and the Illinois Department of Financial & Professional Regulation, Division of Insurance effective March 1, 2006, and the Company was renamed First Chicago Insurance Company.

FCIC specializes in writing personal and commercial automobile policies in three states with a majority of the premium volume generated in Chicago, Illinois. The Company relies on two primary networks to generate premium volume. For the taxi and limousine liability and workers' compensation premium – the business is generated by two specific independent insurance agencies. For the non-taxi premium – the business is produced predominantly by an affiliated general agency, which produces a significant percentage of its business through a network of independent insurance agencies contracted to broker insurance through the general agency.

FCIC provides coverage for non-standard auto, standard and preferred auto, commercial auto for small businesses, commercial auto insuring taxis and limousines, workers' compensation for taxi and livery drivers and artisan general liability. The majority of premiums are written on taxi, livery and non-standard auto lines. The non-standard personal automobile product was first offered in Illinois to supplement the Company's standard and preferred personal automobile programs and expanded to Indiana in 2007. Fee income from this product represents a material portion of the Company's operating income each year.

FCIC entered the taxi and limousine niche in Illinois in 2007 and expanded into Indiana in 2008. This line now comprises over 90% of commercial auto business written by FCIC. The Company has a strong presence in this niche, insuring over 40% of the available non-yellow cab market in Chicago.

2016 State Page Exhibit – 019 (Illinois)

Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Homeowners multiple peril	5,165	1,572	0	0
Inland marine	90	11	0	0
All other A&H (b)	645	41	0	0
Workers' Compensation	8,446,750	8,451,325	1,119,115	2,504,219
Other liability – Occurrence	376,798	358,806	6,668	326,884
Other private passenger auto liability	6,010,309	5,787,733	3,126,513	3,950,611
Other commercial auto liability	14,254,376	14,244,253	6,208,308	7,215,468
Private passenger auto physical damage	4,521,490	4,306,301	2,164,453	2,207,401
Commercial auto physical damage	1,185,179	1,175,752	903,264	858,903
Surety	13,500	13,500	0	0
Totals	34,814,302	34,339,294	13,528,321	17,063,486

III. METHODOLOGY

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

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, and interviews with Company personnel. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable state laws.

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

Risk Selection

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

Underwriting

The underwriting files of new applicants for coverage with the Company were selected based on the inception date of the policy falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, for compliance with Company underwriting guidelines, and to ensure that the coverage provided was as requested by the applicant.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Illinois Workers' Compensation Act (820 ILCS 305/1 *et seq.*) and Department regulations (50 Ill. Adm. Code 101 *et seq.*).

Complaints

Complaints were requested based on those received by the Company during the period under examination and were reviewed for completion, accuracy, and validity of the complaint, based on complaints received by the Department of Insurance during the examination experience period and those received by the Company directly from consumers.

IV. SELECTION OF SAMPLES

	<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Complaints			
Department of Insurance Complaints	63	63	100%
Consumer Complaints	4	4	100%
Risk Selection			
PPA Cancels (60 day)	105	75	71.43%
PPA Cancels (midterms)	0	0	N/A
PPA Non-Pay Cancels	6676	116	1.74%
PPA Nonrenewals (renewed less than 5 years)	167	78	46.71%
PPA Nonrenewals (renewed 5 or more years)	10	10	100%
PPA Rescissions	27	27	100%
Commercial Auto Cancels – excl. Taxis (60 day)	13	13	100%
Commercial Auto Cancels – excl. Taxis (midterms)	0	0	N/A
Commercial Auto Non-Pay Cancels – excl. Taxis	65	65	100%
Commercial Auto Nonrenewals – excl. Taxis	8	8	100%
Commercial Auto Cancels – Taxis (60 day)	26	26	100%
Commercial Auto Cancels – Taxis (midterms)	1	1	100%
Commercial Auto Non-Pay Cancels – Taxis	248	84	33.87%
Commercial Auto Nonrenewals – Taxis	21	21	100%
Work Comp Cancels (60 day)	0	0	N/A
Work Comp Cancels (midterms)	0	0	N/A
Work Comp Non-Pay Cancels	28	28	100%
Work Comp Nonrenewals	0	0	N/A
Producer Terminations	7	7	100%
Underwriting			
PPA Auto New Business	10,123	116	1.15%
Taxi New Business	1202	114	9.48%
Work Comp New Business	487	86	17.66%
Commercial Auto Renewals – excl. Taxis	151	20	13.25%
Taxi Renewals	2564	115	4.49%
Producer Licensing			
Producer Licensing Commissions Paid	4889	115	2.35%
Claims			
PPA First Party Paid	663	105	15.84%
PPA First Party CWP	558	105	18.82%
PPA Third Party Property Damage Paid	447	83	18.57%
PPA Third Party Property Damage CWP	462	83	17.97%
PPA Total Losses First Party	157	76	48.41%
PPA Subrogation	52	52	100%
Commercial Auto First Party Paid (excl. Taxis)	10	10	100%
Commercial Auto First Party CWP (excl. Taxis)	4	4	100%
Commercial Auto Third Party Paid (excl. Taxis)	14	14	100%

Commercial Auto Third Party CWP (excl. Taxis)	7	7	100%
Commercial Auto Total Losses First Party (excl. Taxis)	2	2	100%
Commercial Auto Subrogation (excl. Taxis)	1	1	100%
Taxi First Party Paid	219	20	9.13%
Taxi First Party CWP	156	73	46.79%
Taxi Third Party Paid	105	40	38.10%
Taxi Third Party CWP	63	25	39.68%
Taxi Total Losses First Party	38	15	39.47%
Taxi Subrogation	30	15	50.00%
Workers' Compensation Paid	272	82	30.15%
Workers' Compensation CWP	175	76	43.43%

V. FINDINGS

A. Complaints

1. Department of Insurance Complaints

There were 65 files examined. Two (2) were disqualified leaving 63 files in the survey. The Company was in violation of 50 Ill. Adm. Code 926.50 in these 63 files (100% of the survey) for failing to maintain the complaint information as outlined in Exhibit A and as defined in Exhibit B.

In eight (8) complaint files (12.70% of the 63 reviewed) the Company failed to respond to all of the concerns noted in the complaint and were in violation of 50 Ill. Adm. Code 926.40(b)(1).

2. Consumer Complaints

There were nine (9) complaints on the log. Two (2) were policyholder complaints and two (2) were from a 3rd party. The other complaints were not from consumers and were disqualified from the survey. The Company was in violation of 50 Ill. Adm. Code 926.50 in the four (4) files (100% of the survey) for failing to maintain the complaint information as outlined in Exhibit A and as defined in Exhibit B.

B. Risk Selection

1. Private Passenger Auto Company Initiated Cancellations (60 day)

In 38 files (50.67% of the 75 examined), the Company failed to include notification to the named insured of the possible eligibility for insurance through the Illinois Automobile Insurance Plan. The Company was in violation of 215 ILCS 5/143.20.

In 21 files (28.00% of the 75 examined), the Company failed to provide a specific explanation of the reason or reasons for cancellation in violation of 215 ILCS 5/143.15. One of the files also provided a 29 day notice of cancellation instead of the required minimum of 30 days.

In two (2) files (2.67% of the 75 examined), the Company was in violation of 215 ILCS 5/143.14(a) for failing to maintain proof of mailing of the notice of cancellation.

2. Private Passenger Auto Company Initiated Cancellations (midterms)

There were no midterm cancellations.

3. Private Passenger Auto Non-Pay Cancellations.

There were no criticisms.

4. Private Passenger Auto Nonrenewals (renewed less than 5 years)

In 24 files (30.77% of the 78 examined), the Company failed to provide a specific explanation of the reasons for nonrenewal in violation of 215 ILCS 5/143.17(e).

In 10 files (12.82% of the 78 examined), the notice sent to the lien holder was not an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

5. Private Passenger Auto Nonrenewals (renewed 5 or more years)

In five (5) files (50.00% of the 10 examined), the Company failed to provide a specific explanation of the reasons for nonrenewal in violation of 215 ILCS 5/143.17(e).

In four (4) files (40.00% of the 10 examined), the Company failed to provide the insured at least a 60 day notice of nonrenewal in violation of 215 ILCS 5/143.19.1(g).

In two (2) files (20.00% of the 10 examined), the notice sent to the lien holder was not an exact and unaltered copy of the notice sent to the named insured. The Company was in violation of 215 ILCS 5/143.17(a).

6. Private Passenger Auto Rescissions

There were no criticisms.

7. Commercial Auto Company Initiated Cancellations – excl. Taxis (60 day)

In three (3) files (23.08% of the 13 examined) the Company was in violation of 215 ILCS 5/143.16. In two (2) files the notice failed to provide the insured with a specific reason or reasons for cancellation and in another file the notice was mailed less than the required 30 days prior to cancellation.

8. Commercial Auto Company Initiated Cancellations – excl. Taxis (midterms)

There were no midterm cancellations.

9. Commercial Auto Non-Pay Cancellations – excl. Taxis

There were no criticisms.

10. Commercial Auto Nonrenewals – excl. Taxis

There were no criticisms.

11. Commercial Auto Company Initiated Cancellations – Taxis (60 day)

In two (2) files (7.69% of the 26 examined), the Company failed to provide at least 30 days advance notice prior to the effective date of cancellation. The Company was in violation of 215 ILCS 5/143.16.

12. Commercial Auto Company Initiated Cancellations – Taxis (midterms)

There were no criticisms.

13. Commercial Auto Non-Pay Cancellations – Taxis

In two (2) files (2.38% of the 84 examined), the Company was in violation of 215 ILCS 5/143.14(a) for failing to maintain proof of mailing of the notice of cancellation.

14. Commercial Auto Nonrenewals – Taxis

There were no criticisms.

15. Workers' Compensation Company Initiated Cancellations (60 day)

There were no 60 day cancellations.

16. Workers' Compensation Company Initiated Cancellations (midterm)

There were no midterm cancellations.

17. Workers' Compensation Non-Pay Cancellations

In two (2) files (7.14% of the 28 examined), the Company was in violation of 215 ILCS 5/143.14(a) for failing to maintain proof of mailing of the notice of cancellation.

18. Workers' Compensation Nonrenewals

There were no nonrenewals.

19. Producer Terminations

There were no criticisms.

C. Underwriting

1. Private Passenger Auto New Business

In two (2) files (1.72% of the 116 examined), the Company failed to follow the rules that applied to the rates and rating plans that were filed with the Illinois Department of Insurance. The Company was in violation of 50 Ill. Adm. Code 754.10 creating one (1) undercharge of \$5.00 and one (1) overcharge resulting in a \$3.40 refund to the insured.

2. Taxi New Business

In two (2) files (1.75% of the 114 examined) the Company failed to have a written or signed rejection of uninsured motorist coverage in excess of the bodily injury liability limits. The Company was in violation of 215 ILCS 5/143a-2.

3. Workers' Compensation New Business

There were no criticisms.

4. Commercial Auto Renewals – excl. Taxis

In one (1) file (5.00% of the 20 examined), the Company was in violation of 215 ILCS 5/143.17a(b) for failing to provide the named insured at least a 60 day notice of changes in the policy coverages prior to the renewal.

In one (1) file (5.00% of the 20 examined), the Company was in violation of 215 ILCS 5/143.17a(d) for failing to maintain proof of mailing or proof of receipt of the renewal or written notice of changes in coverage.

5. Commercial Auto Renewals – Taxis

In 115 files (100% of the 115 examined), the Company was in violation of 215 ILCS 5/143.17a(b) for failing to provide the named insured at least a 60 day notice of changes in the policy coverages prior to the renewal.

In 115 files (100% of the 115 examined), the Company was in violation of 215 ILCS 5/143.17a(d) for failing to maintain proof of mailing or proof of receipt of the renewal or written notice of changes in coverage.

D. Producer Licensing

In two (2) files (1.74% of the 115 examined) the producer was not properly licensed at the time the insurance was solicited or sold. The Company was in violation of 215 ILCS 5/500-80(a).

E. Claims

1. Private Passenger Auto First Party Paid

One hundred eighteen files were used in computing the median. The median payment period was 25 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	76	64.4
31-60	35	29.7
61-90	3	2.5
91-180	3	2.5
181-365	1	0.9
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	118	100

In 16 files (15.24% of the 105 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c) for failing to provide the insured with, at a minimum, the information contained in Exhibit A.

In six (6) files (5.71% of the 105 examined), the Company was in violation of 50 Ill. Adm. Code 919.60(a) for indicating on the payment to the insured that said payment was “final” when no policy limit had been met or there was no dispute over coverage or the amount payable.

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a reasonable written explanation for the delay is to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). In four (4) files (3.81% of the 105 examined), the Company failed to be in compliance. In two (2) files the Company failed to provide the insured a delay letter and in two (2) files the delay letter failed to provide a reasonable explanation for the delay.

In three (3) files (2.86% of the 105 examined), the Company failed to tender payment within 30 days in violation of 50 Ill. Adm. Code 919.50(a).

In two (2) files (1.90% of the 105 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i). The insured vehicles were total losses and the Company failed to pay the \$120.00 transfer and title fees in one (1) file and the \$25.00 transfer fee in the other. The Company made reimbursements totaling \$145.00.

In one (1) file (0.95% of the 105 examined), the Company deducted \$450.00 storage fees off of the total loss settlement when the insured did nothing to cause excessive storage fees. The Company was in violation of 50 Ill. Adm. Code 919.80(d)(3) and has reimbursed the insured the \$450.00.

2. Private Passenger Auto First Party Closed Without Payment

In six (6) files (5.71% of the 105 examined) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to send the insured a denial letter or failing to include the “Notice of Availability of the Department of Insurance” with the denial letter.

In three (3) files (2.86% of the 105 examined) the Company failed to pay the insured within 30 days of receipt of the estimate when there was no lien holder and no dispute. The Company was in violation of 50 Ill. Adm. Code 919.50(a) and has since made payments totaling \$2,401.07.

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a reasonable written explanation for the delay is to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). In three (3) files (2.86% of the 105 examined), the Company failed to be in compliance. The Company failed to provide the insured a delay letter in the three (3) files.

In one (1) file (0.95% of the 105), the Company was in violation of 50 Ill. Adm. Code 919.30(c) for failing to maintain detailed documentation in the claim file to permit reconstruction of the Company's activities.

3. Private Passenger Auto Third Party Property Damage Paid

Eighty-three files were used to compute the median. The median payment period was 23 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	55	66.3
31-60	18	21.7
61-90	3	3.6
91-180	4	4.8
181-365	2	2.4
<u>over 365</u>	<u>1</u>	<u>1.2</u>
Total	83	100

In 19 files (22.89% of the 83 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(d)(2) for failing to inform the third party claimant where they could obtain a rental vehicle for the amount the Company would pay. Payments of \$295.59 were made.

In two (2) files (2.41% of the 83 examined), the Company was in violation of 50 Ill. Adm. Code 919.30(c) for lack of detailed documentation in the claim file to permit reconstruction of the Company's activities. A \$2.00 payment was made.

In one (1) file (1.20% of the 83), the Company took off excess rust and wear and tear when the limit is \$500.00. The Company was in violation of 50 Ill. Adm. Code 919.80(d)(4)(A)(ii) and reimbursed the third party \$68.02.

When a property damage liability claim remains unresolved in excess of 60 days from the date the loss is reported, the Company is required to provide the third party claimant a reasonable written explanation for the delay. In one (1) file (1.20% of the 83), the Company failed to be in compliance and was in violation of 50 Ill. Adm. Code 919.80(b)(3). The Company failed to provide the third party with a delay letter.

4. Private Passenger Auto Third Party Property Damage Closed Without Payment

When a property damage liability claim remains unresolved in excess of 60 days from the date the loss is reported, the Company is required to provide the third party claimant a reasonable written explanation for the delay. In three (3) files (3.61% of the 83 examined), the Company failed to be in compliance and was in violation of 50 Ill. Adm. Code 919.80(b)(3). The Company failed to provide the third party with a delay letter in the three (3) files.

In one (1) file (1.20% of the 83 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a)(2) for failing to provide the third party claimant a denial letter when the claim was denied.

5. Private Passenger Auto Total Losses First Party

In 46 files (60.53% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c) for failing to provide the insured with, at a minimum, the information contained in Exhibit A or to provide that information within seven (7) days of the insured vehicle being determined a total loss.

In 12 files (15.79% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(2). The Company failed to use the methodology of the source they chose to determine the market value of the insured total loss vehicle. The Company used CCC in every instance and if using CCC then the Company must properly use the CCC matrix for conditioning. The Company did not and created nine (9) underpayments totaling \$2,230.13. The Company has made payments to these insureds.

In eight (8) files (10.53% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(d)(3) for failing to pay reasonable towing/storage charges to the insured when the insured was not told when he or she would have to start paying for storage, or the insured did not refuse to release the insured vehicle to the Company, or did nothing to cause excessive towing or storage costs. In some deductions off the total loss settlement due to towing/storage, the Company did not provide clear reasons and dollar amounts of such deductions. The Company made payments totaling \$2,415.00.

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a reasonable written explanation for the delay is to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). In 13 files (17.11% of the 76 examined), the Company failed to be in compliance. In seven (7) files the Company failed to send a delay letter. In five (5) files the Company failed to provide a reasonable explanation on the delay letter and in one (1) file the delay letter was sent late.

In six (6) files (7.89% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.60(a) for indicating on the payment to the insured that said payment was “final” when no policy limit had been met and there was no dispute over coverage or the amount payable.

In three (3) files (3.95% of the 76), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to pay the applicable transfer and title fees. The Company made payments totaling \$170.00.

In two (2) files (2.63% of the 76 files), the Company was in violation of 50 Ill. Adm. Code 919.30(c) for lack of detailed documentation in the claim file preventing reconstruction of the Company's activities resulting in two (2) underpayments totaling \$609.00. Payments have been made.

In one (1) file (1.32% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(d)(4)(A)(ii) for deducting more than \$500.00 for prior wear and tear, missing parts, and rust damage creating an underpayment of \$1,224.00. Payment has been made to this insured.

In one (1) file (1.32% of the 76), the Company failed to pay for a tow bill within 30 days in violation of 50 Ill. Adm. Code 919.50(a) creating an underpayment of \$209.72. Payment has been made to this insured.

6. Private Passenger Auto Subrogation

In four (4) files (7.69% of the 52 examined), the Company was in violation of 215 ILCS 5/143b for failing to pay the insured the correct pro rata share of the deductible and pay in a timely manner. The Company made \$488.33 in payments to the insureds.

7. Commercial Auto First Party Paid – excl. Taxis

There were no criticisms.

8. Commercial Auto Closed Without Payment. – excl. Taxis

There were no criticisms.

9. Commercial Auto Third Party Property Damage Paid – excl. Taxes

There were no criticisms.

10. Commercial Auto Third Party Property Damage Closed Without Payment – excl. Taxes

There were no criticisms.

11. Commercial Auto Total Losses (First Party) – excl. Taxes

There were no criticisms.

12. Commercial Auto Subrogation – excl. Taxes

There were no criticisms.

13. Commercial Auto First Party Paid – Taxes

There were no criticisms.

14. Commercial Auto First Party Closed Without Payment – Taxes

There were no criticisms.

15. Commercial Auto Third Party Property Damage Paid – Taxes

There were no criticisms.

16. Commercial Auto Third Party Property Damage Closed Without Payment – Taxes

In two (2) files (8.00% of the 25 examined), the Company was in violation of 215 ILCS 5/154.6(b) for failing to acknowledge with reasonable promptness pertinent communication with respect to claims arising under its policies.

In two (2) files (8.00% of the 25 examined), the Company was in violation of 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards for the prompt investigation and the prompt settlement of its claims.

17. Commercial Auto Total Losses – Taxes

There were no criticisms.

18. Commercial Auto Subrogation – Taxes

There were no criticisms.

19. Workers' Compensation Paid

In two (2) files (2.44% of the 82 examined) the Company was in violation of 820 ILCS 305/8.2(d)(1) for failing to provide payments to providers within 30 days of receipt of a bill which contained substantially all of the required data elements necessary to process the payment.

In two (2) files (2.44% of the 82 examined) the Company was in violation of 820 ILCS 305/8.2(d)(3) for failing to pay interest to the provider when the provider payment exceeded 30 days from receipt of the bill and substantially all of the required data had been received. Failing to pay interest resulted in underpayments of \$162.57. Payments have been made to the providers.

20. Workers' Compensation Closed Without Payment

There were no criticisms.

VI. INTERRELATED FINDINGS

1. In the Private Passenger Auto Nonrenewals survey, it was discovered that nonrenewal notices were mailed to the insured and lienholder even after the policies had been canceled previously.
2. In the Private Passenger Auto First Party Paid survey, it was found that in three (3) instances the Company omitted stating the coverage under which payment was made when making payment to the policyholder.
3. In the Private Passenger Auto Third Party Paid survey, it was noted that the Company incorrectly informed the third party who had experienced a total loss that a third party had to retain the salvage of the 11 year old vehicle. The claimant was not given a choice.
4. In the Third Party Total Loss survey, the Company failed to make a fair and equitable settlement in one (1) instance. The Company chose CCC to determine the market value of the third party total loss but misused the CCC matrix. The Company took off for damages that were reflected in the CCC matrix for the vehicle. A payment for \$323.51 was made to this third party.
5. In the Taxi Third Party Closed Without Payment survey, the Company failed to conduct a reasonable investigation with information available and thereby effectuate a prompt, fair and equitable settlement to the third party in one (1) file.

STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Roger Henschen, being first duly sworn upon his/her 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 First Chicago Insurance Company, (the "Company"), NAIC 13587.

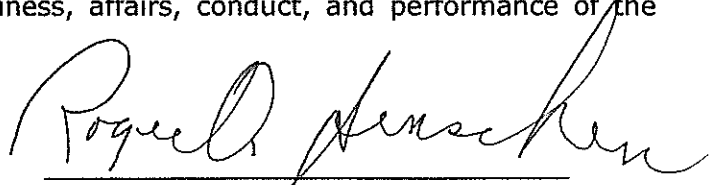
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

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

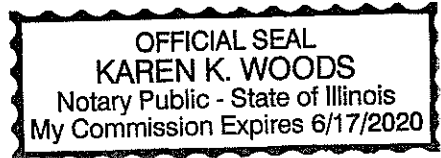
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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


Examiner-In-Charge

Subscribed and sworn to before me
this 7 day of November, 2017


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

FIRST CHICAGO INSURANCE COMPANY
6640 SOUTH CICERO AVENUE
BEDFORD PARK, IL 60638-5838

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, First Chicago Insurance Company ("the Company"), NAIC 13587, 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 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 provide the insured a notice of cancellation of the auto policy at least 30 days prior to the effective date of cancellation and shall include a specific explanation of the reason or reasons for cancellation on the notice as required by 215 ILCS 5/143.15.
2. Institute and maintain policies and procedures whereby the Company shall provide the insured a notice of cancellation of the commercial auto policy at least 30 days prior to the effective date of cancellation and shall include a specific explanation of the reason or reasons for cancellation on the notice as required by 215 ILCS 5/143.16.
3. Institute and maintain policies and procedures whereby the Company shall provide the lien holder an exact and unaltered copy of the notice of its intention not to renew sent to the insured as required by 215 ILCS 5/143.17(a).
4. Institute and maintain policies and procedures whereby the Company shall provide on the notice of nonrenewal, a specific explanation of the reasons for nonrenewal as required by 215 ILCS 5/143.17(e).
5. Institute and maintain policies and procedures whereby the Company shall provide a notice to the insured at least 60 days prior to the renewal date when there is a material change in coverage as required by 215 ILCS 5/143.17a(b).
6. Institute and maintain policies and procedures whereby the Company shall maintain proof of mailing the notice of intention not to renew to the insured as required by 215 ILCS 5/143.17a(d).
7. Institute and maintain policies and procedures whereby the Company shall provide the insured with at least 60 days advanced notice of nonrenewal after the policy has been effective or renewed for five (5) years as required by 215 ILCS 5/143.19.1(g).
8. Institute and maintain policies and procedures whereby the Company shall notify the named insured of his or her possible eligibility for insurance through the Illinois Automobile Insurance Plan when canceling the auto policy as required by 215 ILCS 5/143.20.

9. Institute and maintain policies and procedures whereby the Company shall timely reimburse the pro rata amount of the insured's deductible after recovery from the adverse party as required by 215 ILCS 5/143b.
10. Institute and maintain policies and procedures whereby the Company shall acknowledge with reasonable promptness pertinent communications with respect to all claims arising under its policies as required by 215 ILCS 5/154.6(b).
11. Institute and maintain policies and procedures whereby the Company shall implement reasonable standards for the prompt investigation and settlement of claims as required by 215 ILCS 5/154.6(c).
12. Institute and maintain policies and procedures whereby the Company shall not indicate to an insured on any payment draft, check or in any accompanying letter that said payment is "final" or "a release" of any claim unless the policy limit has been paid or there is a bona fide dispute either over coverage or the amount payable under the policy as required by 50 Ill. Adm. Code 919.60(a).
13. Institute and maintain policies and procedures whereby the Company shall provide the insured with a reasonable written explanation for the delay when a claim remains unresolved for more than 40 days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(2).
14. Institute and maintain policies and procedures whereby the Company shall provide the insured with, at a minimum, the information contained in Exhibit A, within 7 days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
15. Institute and maintain policies and procedures whereby the Company shall use one of the approved methodologies to determine the total loss valuation as required by 50 Ill. Adm. Code 919.80(c)(2).
16. Institute and maintain policies and procedures whereby the Company shall, in those cases where the company pays a flat rental amount per day, week or month, disclose to the claimant where they can obtain a vehicle for the amount of its payment as required by 50 Ill. Adm. Code 919.80(d)(2).
17. Institute and maintain policies and procedures whereby the Company will make no advance charge deductions from total loss settlements when there is no explanation of the reason(s) the charges were excessive, and no evidence the insured caused the excessive charges as required by 50 Ill. Adm. Code 919.80(d)(3).
18. Institute and maintain policies and procedures whereby the Company shall provide adequate documentation which explains all actions taken or not taken and which were the basis for the complaint as required by 50 Ill. Adm. Code 926.40(b)(1).
19. Institute and maintain policies and procedures whereby the Company shall maintain a complaint record with the required minimum information for complaints received from the Department, as well as those received directly from the consumer, as required by 50 Ill. Adm. Code 926.50.
20. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above 19 orders within 30 days of execution of this Order.
21. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$61,850 to be paid within 30 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 FIRST CHICAGO INSURANCE COMPANY



Signature

Michael Kaper

Name

Chief Operating Officer

Title

Subscribed and sworn to before me this
8 day of March 2018.


Notary Public

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 3/9/18

Jennifer Hammer
Jennifer Hammer
Director

