



# Illinois Department of Insurance

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BRUCE RAUNER  
Governor

JENNIFER HAMMER  
Director

VIA ELECTRONIC MAIL

October 22, 2018

Mr. Robert Mark Karfunkel  
President  
Standard Property & Casualty Insurance Company  
1028 S Grand Avenue West  
Springfield, IL 62704

**Re: Standard Property & Casualty Insurance Company, NAIC 15199  
Market Conduct Examination Report Closing Letter**

Dear Mr. Karfunkel:

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,

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

Erica Weyhenmeyer  
Assistant Deputy Director - Market Conduct  
Illinois Department of Insurance  
320 West Washington St., 5th Floor  
Springfield, IL 62767  
Phone: 217-782-1790  
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ILLINOIS DEPARTMENT OF INSURANCE  
MARKET CONDUCT EXAMINATION OF

**Standard Property & Casualty Insurance Company**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: January 29, 2018 through April 13, 2018

EXAMINATION OF: Standard Property & Casualty Insurance Company  
NAIC Number: 15199

LOCATION OF EXAMINATION: 122 S. Michigan Ave., 19<sup>th</sup> floor  
Chicago, Illinois 60603

320 West Washington Street  
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: October 1, 2016 through September 30, 2017  
Complaints – April 1, 2016 through September 30, 2017

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

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## I. SUMMARY

A market conduct examination of Standard Property and Casualty Insurance Company (the "Company") 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.

<b>TABLE OF TOTAL VIOLATIONS</b>						
Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
4	215 ILCS 5/143.15	PPA Cancels (midterm): nonspecific reason for cancellation	8	8	2	25.00%
5	215 ILCS 5/143.19	PPA Cancels (midterm): not valid reason to cancel when in effect 60 days or more	8	8	2	25.00%
1	215 ILCS 5/143.14(a)	PPA Cancels (nonpay): no proof of mailing	562	113	6	5.31%
2	215 ILCS 5/143.15	PPA Cancels (nonpay): notice mailed less than 10 days in advance	562	113	1	0.88%
10	215 ILCS 5/143.17(e)	PPA Nonrenewals (renewed less than 5 years): nonspecific reason for nonrenewal	97	78	21	26.92%
11	215 ILCS 5/143.17(e)	PPA Nonrenewals (renewed 5 years or more): nonspecific reason for nonrenewal	62	62	8	12.90%
7	215 ILCS 5/143.17(d)	PPA Nonrenewals (renewed 5 years or more): no proof of mailing	62	62	1	1.61%
6	215 ILCS 5/143.19.1(g)	PPA Nonrenewals (renewed 5 years or more): no 60 day notice	62	62	1	1.61%
20	215 ILCS 5/143.15	Homeowner Cancels (60 day): nonspecific reason for cancellation	3	3	2	66.67%
22	215 ILCS 5/143.27	Homeowner Cancels (60 day): no rehab period offered	3	3	2	66.67%
21	215 ILCS 5/143.14(a)	Homeowner Cancels (60 day): no proof of mailing	3	3	1	33.33%
27	215 ILCS 5/143.15	Homeowner Cancels (midterm): nonspecific reason for cancellation	196	79	1	1.27%
28	215 ILCS 5/143.14(a)	Homeowner Cancels (midterm): no proof of mailing	196	79	1	1.27%
32	215 ILCS 5/143.14(a)	Homeowner Cancels (nonpay): no proof of mailing	281	84	6	7.14%

## TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
12	215 ILCS 5/143.17(e)	Homeowner Nonrenewals (renewed less than 5 years): nonspecific reason for nonrenewal	15	15	5	33.33%
13	215 ILCS 5/143.17(a)	Homeowner Nonrenewals (renewed less than 5 years): no proof of mailing	15	15	1	6.67%
19	215 ILCS 5/143.17(e)	Homeowner Nonrenewals (renewed 5 or more years): nonspecific reason for nonrenewal	36	36	7	19.44%
3	50 Ill. Adm. Code 754.10(b)(1)	PPA New Business: failure to follow filed rules (\$345.00 undercharge)	851	113	3	2.65%
9	50 Ill. Adm. Code 754.10(b)(1)	Homeowner New Business: failure to follow filed rules to apply rates (overcharge of \$6.00)	595	113	1	0.88%
8	215 ILCS 5/805.1	Homeowner New Business: failure to include Mine Subsidence coverage	595	113	1	0.88%
24	50 Ill. Adm. Code 754.10(b)(1)	Homeowner Renewals: failure to follow filed rules to apply rates (overcharge of \$433.00)	595	113	1	0.88%
23	215 ILCS 5/143.17(b-5)	Homeowner Renewals: no 60 day notice to insured of change in coverage	12404	116	1	0.86%
34	50 Ill. Adm. Code 919.80(c)	PPA 1 <sup>st</sup> Party Paid: failure to provide insured Exh. A (6 files), Exh. A sent with incorrect verbiage (13), Exh. A sent with incorrect verbiage and sent late (1)	1116	107	20	18.69%
35	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 <sup>st</sup> Party Paid: failure to provide delay letter	1116	107	5	4.67%
38	50 Ill. Adm. Code 919.80(c)(2)(E)	PPA 1 <sup>st</sup> Party Paid: no documentation of how ACV of insured total loss determined	1116	107	5	4.67%
37	50 Ill. Adm. Code 919.30(c)	PPA 1 <sup>st</sup> Party Paid: detailed documentation missing	1116	107	5	4.67%
36	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA 1 <sup>st</sup> Party Paid: fail to pay correct title and transfer fees (underpayment of \$20.00)	1116	107	2	1.87%
30	50 Ill. Adm. Code 919.80(b)(2)	PPA 1 <sup>st</sup> Party CWP: failure to provide proper delay letter; (no delay letter sent-5, letter sent late-2)	674	105	7	6.67%

## TABLE OF TOTAL VIOLATIONS

Crit #	Statute/Rule	Description of Violation	Population	Files Reviewed	# of Violations	Error %
31	50 Ill. Adm. Code 919.30(c)	PPA 1 <sup>st</sup> Party CWP: detailed documentation missing	674	105	3	2.86%
46	50 Ill. Adm. Code 919.30(c)	PPA 3 <sup>rd</sup> Party Paid: detailed documentation missing	962	105	6	5.71%
45	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 <sup>rd</sup> Party Paid: failure to provide proper delay letter; (no delay letter sent-2, letter sent late-3)	962	105	5	4.76%
39	50 Ill. Adm. Code 919.80(b)(3)	PPA 3 <sup>rd</sup> Party CWP: failure to provide proper delay letter; (no delay letter sent-2, letter sent late-1)	472	83	3	3.61%
14	50 Ill. Adm. Code 919.80(c)	PPA Total Losses: failure to provide insured Exh. A (17), Exh. A sent with wrong DOI info (47), wrong DOI info and sent late (4) and sent late (1)	194	76	69	90.79%
16	50 Ill. Adm. Code 919.80(c)(2)(E)	PPA Total Losses: no documentation of market value of insured vehicle	194	76	19	25.00%
17	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	PPA Total Losses: fail to pay correct and applicable sales tax and title and transfer fees (underpayments of \$2432.56 and 1 overpayment of \$6.76)	194	76	17	22.37%
18	50 Ill. Adm. Code 919.30(c)	PPA Total Losses: detailed documentation missing	194	76	11	14.47%
15	50 Ill. Adm. Code 919.80(b)(2)	PPA Total Losses: failed to send proper delay letter; (no letter sent-6, letter sent late-1)	194	76	7	9.21%
25	215 ILCS 5/143b	PPA Subrogation: fail to pay pro rata share of deductible (\$500.00 payment to insured)	166	76	1	1.32%
26	50 Ill. Adm. Code 919.50(a)	PPA Subrogation: fail to tender payment within 30 days	166	76	1	1.32%
44	215 ILCS 5/397.1(a)	Homeowner Paid: no certificate regarding payment of taxes when fire loss exceeded \$25,000	856	105	2	1.90%
43	50 Ill. Adm. Code 919.80(d)(7)(B)	Homeowner Paid: delay letter sent late	856	105	1	0.95%
41	50 Ill. Adm. Code 919.50(a)(1)	Homeowner CWP: no denial letter provided to the insured	336	82	1	1.22%
42	50 Ill. Adm. Code 919.30(c)	Homeowner CWP: detailed documentation missing	336	82	1	1.22%

## II. BACKGROUND

### STANDARD PROPERTY & CASUALTY INSURANCE COMPANY

The Company was incorporated and licensed on November 17, 1921, under the laws of Illinois and began business on November 21, 1921. Operations were conducted under the title Standard Mutual Casualty Company until March 16, 1956, when the name was changed to Standard Mutual Insurance Company.

On January 27, 2016, an agreement under which the Company would be acquired by National General Holdings Corp. was announced. As part of the transaction, the Company would convert to a stock company from a mutual company. The conversion was effective and the sale of the Company closed on October 7, 2016. On that date, the Company adopted the name Standard Property & Casualty Insurance Company.

2016 State Page Exhibit – 019 (Illinois)  
Standard Property & Casualty Insurance Company

Line	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Fire	349,648	358,132	182,993	204,071
Allied Lines	262,733	270,377	19,496	14,742
Farmowners Multiple Peril	76,935	78,403	18,469	12,969
Homeowners Multiple Peril	13,288,202	13,444,457	6,148,596	5,459,760
Commercial Multiple Peril (Non-Liability Portion)	595,425	615,219	150,618	111,911
Commercial Multiple Peril (Liability Portion)	44,745	46,482	3,250	22,473
Inland Marine	6,899	6,849	1,500	1,208
Workers' Compensation	95,415	97,801	0	-1,929
Other Liability-Occurrence	327,191	324,971	0	38,944
Other Private Passenger Auto Liability	11,525,706	11,445,623	8,448,852	8,470,308
Other Commercial Auto Liability	60,211	62,016	250	7,823
Private Passenger Auto Physical Damage	9,265,524	9,093,002	6,587,072	6,726,603
Commercial Auto Physical Damage	47,319	47,562	16,598	19,281
Totals	35,945,953	35,890,894	21,577,693	21,088,164



### 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 of new applicants for coverage with the Company was 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.*) 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. Both complaints received by the Department of Insurance during the examination period, and those received directly by the Company from consumers were reviewed.

#### IV. SELECTION OF SAMPLES

		<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
A.	Complaints			
1.	Department of Insurance	13	13	100%
2.	Consumer Complaints	0	0	N/A
B.	Risk Selection			
1.	PPA Cancels (60 day)	0	0	N/A
2.	PPA Cancels (midterms)	8	8	100%
3.	PPA Cancels (nonpay)	562	113	20.11%
4.	PPA Nonrenewals (under 5 years)	97	78	80.41%
5.	PPA Nonrenewals (5 or more years)	62	62	100%
6.	PPA Rescissions	0	0	N/A
7.	Homeowner Cancels (60 day)	3	3	100%
8.	Homeowner Cancels (midterm)	196	79	40.31%
9.	Homeowner Cancels (nonpay)	281	84	29.89%
10.	Homeowner Rescissions	0	0	N/A
11.	Homeowner Nonrenewals (under 5 years)	15	15	100%
12.	Homeowner Nonrenewals (5 or more years)	36	36	100%
13.	Producer Terminations	57	57	100%
C.	Underwriting			
1.	PPA Auto New Business	851	113	13.28%
2.	PPA Renewals	30808	116	0.38%
3.	Homeowner New Business	595	113	18.99%
4.	Homeowner Renewals	12404	116	0.94%
D.	Producer Licensing – Commissions Paid	3209	115	3.58%
E.	Claims			
1.	PPA First Party Paid	1116	107	9.59%
2.	PPA First Party CWP	674	105	15.58%
3.	PPA Third Party Property Damage Paid	962	105	10.91%
4.	PPA Third Party Property Damage CWP	472	83	17.58%
5.	PPA Total Losses – First Party	194	76	39.18%
6.	PPA Subrogation	166	76	45.78%
7.	Homeowner Paid	856	105	12.27%
8.	Homeowner CWP	336	82	24.40%

## V. FINDINGS

### A. Complaints

#### 1. Department of Insurance Complaints

There were no criticisms.

#### 2. Consumer Complaints

There were no Consumer Complaints.

### B. Risk Selection

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

There were no 60 day cancellations.

#### 2. Private Passenger Auto Company Initiated Cancellations (midterms)

In two (2) files (25.00% of the eight (8) examined), the Company failed to include a specific explanation of the reason or reasons for cancellation and was in violation of 215 ILCS 5/143.15.

In two (2) files (25.00% of the eight (8) examined), the Company canceled the policy for reasons not allowed when the policy had been effective for 60 days or more. The Company was in violation of 215 ILCS 5/143.19.

#### 3. Private Passenger Auto Nonpay Cancellations.

In six (6) files (5.31% of the 113 examined), the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

In one (1) file (0.88% of the 113 examined), the Company failed to send the notice of cancellation to the insured at least 10 days prior to the effective date of cancellation. The Company was in violation of 215 ILCS 5/143.15.

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

In 21 files (26.92% of the 78 examined), the Company failed to include a specific explanation of the reasons for nonrenewal on the notice mailed to the insured. The Company was in violation of 215 ILCS 5/143.17(e).

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

In eight (8) files (12.90% of the 62 examined), the Company failed to include a specific explanation of the reasons for nonrenewal on the notice mailed to the insured. The Company was in violation of 215 ILCS 5/143.17(e).

In one (1) file (1.61% of the 62 examined), the Company failed to maintain the proof of mailing of the notice of nonrenewal in violation of 215 ILCS 143.17(a).

In one (1) file (1.61% of the 62 examined), the policy was nonrenewed for reasons other than allowed and a 60 day notice of nonrenewal was required. The Company provided the insured with less than a 60 day notice and was in violation of 215 ILCS 5/143.19.1(g).

6. Private Passenger Auto Rescissions

There were no rescissions.

7. Homeowner Company Initiated Cancellations (60 day)

In two (2) files (66.67% of the three (3) examined), the Company failed to include a specific explanation of the reason or reasons for cancellation and was in violation of 215 ILCS 5/143.15.

In two (2) files (66.67% of the three (3) examined), the Company failed to allow the named insured a reasonable period of time to repair defects in the insured property prior to canceling the policy. The inaction was a violation of 215 ILCS 5/143.27.

In one (1) file (33.33% of the three (3) examined), the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

8. Homeowner Company Initiated Cancellations (midterms)

In one (1) file (1.27% of the 79 examined), the Company failed to include a specific explanation of the reason or reasons for cancellation and was in violation of 215 ILCS 5/143.15.

In one (1) file (1.27% of the 79 examined), the Company failed to maintain proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

9. Homeowner Nonpay Cancellations

In six (6) files (7.14% of the 84 examined), the Company failed to maintain the proof of mailing of the notice of cancellation in violation of 215 ILCS 5/143.14(a).

10. Homeowner Nonrenewals (renewed less than 5 years)

In five (5) files (33.33% of the 15 examined), the Company failed to include a specific explanation of the reasons for nonrenewal on the notice mailed to the insured. The Company was in violation of 215 ILCS 5/143.17(e).

In one (1) file (6.67% of the 15 examined), the Company failed to maintain the proof of mailing of the notice of nonrenewal in violation of 215 ILCS 5/143.17(a).

11. Homeowner Nonrenewals (renewed 5 or more years)

In seven (7) files (19.44% of the 36 examined), the Company failed to provide a specific explanation of the reasons for nonrenewal on the notice mailed to the insured. The Company was in violation of 215 ILCS 5/143.17(e).

12. Homeowner Rescissions

There were no rescissions.

13. Producer Terminations

There were no criticisms.

C. Underwriting

1. Private Passenger Auto New Business

In three (3) files (2.65% of the 113 examined), the Company was in violation of 50 Ill. Adm. Code 754.10(b)(1) for failing to follow the rules for applying rates that were filed with the Illinois Department of Insurance. In two (2) files, the Company failed to provide documentation of the Good Student Discount. In another file, two (2) drivers were rated incorrectly according to their age resulting in an undercharge of \$345.00.

2. Private Passenger Auto Renewals

There were no criticisms.

3. Homeowner New Business

In one (1) file (0.88% of the 113 examined), the Company failed to follow the rules which were filed with the Illinois Department of Insurance for applying the rates, classifications and other schedules for rating homeowner new business resulting in an overcharge of \$6.00. The Company was in violation of 50 Ill. Adm. Code 754.10(b)(1). Payment of \$6.00 was made to the insured.

In one (1) file (0.88% of the 113 examined), the dwelling was located in a mine subsidence county and the Company was required to issue the policy with the coverage or obtain a written waiver from the insured. The Company failed to issue the policy with mine subsidence coverage when there was no written waiver and was in violation of 215 ILCS 5/805.1.

4. Homeowner Renewals

In one (1) file (0.86% of the 116 examined), the Company failed to provide the insured with the Auto/Home Discount as filed with the Illinois Department of Insurance and was in violation of 50 Ill. Adm. Code 754.10(b)(1). A premium credit of \$433.00 was given to the insured.

In one (1) file (0.86% of the 116 files examined), the Company failed to mail to the named insured a 60 day notice of a change in coverage and was in violation of 215 ILCS 5/143.17(b-5).

D. Producer Licensing – Commissions Paid

There were no criticisms.

E. Claims

1. Private Passenger Auto First Party Paid

One hundred ten files were used in computing the median. The median payment period was eight (8) days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	99	90.0
31-60	8	7.3
61-90	2	1.8
91-180	1	0.9
181-365	0	0.0
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	110	100

(There were 107 claim files selected in the First Party Median and Paid Survey. After sampling, it was discovered that three (3) of those files were total losses that were also selected in the total loss survey. To avoid the possibility of criticizing a file twice, the examiner used those three (3) files only in computing the median payment period and replaced each file with the next file from the universe and examined and reviewed those replacement files. As a result, 110 files were used in computing the median instead of 107.)

In 20 files (18.69% of the 107 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 and to send it in a timely manner. In six (6) files the Company failed to send the Exhibit. In 13 files Exhibit A included the incorrect phone number of the Department of Insurance, the incorrect address of the Chicago office of the Department of Insurance and some incorrect verbiage. In one (1) file the Company included the incorrect DOI phone #, incorrect Chicago DOI address, incorrect verbiage, and the Exhibit was sent late.

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a delay letter is to be provided to the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The letter must include a reasonable written explanation for the delay, be sent within 40 days from the date the loss was reported and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to send the delay letter in five (5) files (4.67% of the 107 examined).

In five (5) files (4.67% of the 107 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(2)(E). The Company failed to have documentation of the market value of the insured total loss vehicle.

In five (5) files (4.67% of the 107 examined), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims files. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

In two (2) files (1.87% of the 107 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to pay the correct transfer and title fees creating two (2) underpayments totaling \$20.00. Payments were made during the examination.

2. Private Passenger Auto First Party Closed Without Payment

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a delay letter is to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The letter must include a reasonable written explanation for the delay, be sent within 40 days from the date the loss was reported and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in seven (7) files (6.67% of the 105 examined). In five (5) files there was no evidence a delay letter was sent, and in another two (2) files the delay letter was sent late.

In three (3) files (2.86% of the 105 examined), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims files. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

3. Private Passenger Auto Third Party Property Damage Paid

One hundred and five files were used to compute the median. The median payment period was 11 days and distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	80	76.2
31-60	10	9.5
61-90	4	3.8
91-180	5	4.8
181-365	5	4.8
<u>over 365</u>	<u>1</u>	<u>0.9</u>
Total	105	100

In six (6) files (5.71% of the 105 examined), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims files. The Company was in violation of 50 Ill. Adm. Code 919.30(c).



When a third party physical damage claim remains unresolved for more than 60 calendar days from the date the loss is reported, a delay letter is to be provided to the third party claimant as outlined in 50 Ill. Adm. Code 919.80(b)(3). The letter must include a reasonable written explanation for the delay, be sent within 60 days from the date the loss was reported and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in five (5) files (4.76% of the 105 examined). A delay letter was not sent in two (2) files, and in three (3) files the delay letter was sent late.

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

When a third party physical damage claim remains unresolved for more than 60 calendar days from the date the loss is reported, a delay letter is to be provided to the third party claimant as outlined in 50 Ill. Adm. Code 919.80(b)(3). The letter must include a reasonable written explanation for the delay, be sent within 60 days from the date the loss was reported and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in three (3) files (3.61% of the 83 examined). A delay letter was not sent in two (2) files, and in one (1) file the delay letter was sent late.

5. Private Passenger Auto Total Losses – First Party

In 69 files (90.79% 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 and to send it in a timely manner. In 17 files the Company failed to send the Exhibit. In 47 files the Company sent the Exhibit with the incorrect phone # of the Department of Insurance and incorrect address of the Chicago DOI office. In four (4) files the Exhibit was sent late and sent with the incorrect DOI phone # and address of the Chicago office, and in one (1) file, the Exhibit was sent late.

In 19 files (25.00% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(2)(E). The Company failed to have documentation of the market value of the insured total loss vehicle.

In 17 files (22.37% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to pay the correct and applicable sales taxes and transfer and title fees. Payments were made to insureds during the examination totaling \$2,432.56 and there was one (1) overpayment of \$6.76.

In 11 files (14.47% of the 76 examined), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims files. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

When a first party physical damage claim remains unresolved for more than 40 calendar days from the date the loss is reported, a delay letter is to be provided to the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). The letter must include a reasonable written explanation for the delay, be sent within 40 days from the date the loss was reported and include Notice of Availability of the Department of Insurance as defined in 50 Ill. Adm. Code 919.40. The Company failed to be in compliance in seven (7) files (9.21% of the 76 examined). The Company failed to send a delay letter in six (6) files, and in one (1) file the delay letter was sent late.

6. Private Passenger Auto Subrogation

In one (1) file (1.32% of the 76 examined), the Company was in violation of 215 ILCS 5/143b for failing to pay the insured the pro rata share of the deductible. The Company made a payment of \$500.00 during the examination.

In one (1) file (1.32% of the 76 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a). The Company failed to tender payment within 30 days.

7. Homeowner Paid

One hundred and five files were used in computing the median. The median payment period was 19 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	69	65.7
31-60	26	24.8
61-90	7	6.7
91-180	2	1.9
181-365	1	0.9
<u>over 365</u>	<u>0</u>	<u>0.0</u>
Total	105	100

In two (2) files (1.90% of the 105 examined), the structure loss exceeded \$25,000 due to fire or explosion and required the Company, prior to making payment, to receive a certificate from the insured that there were no delinquent property taxes and no unpaid demolition expenses or a certificate indicating the amount of delinquent property taxes and unpaid incurred demolition expenses. There was also no evidence that a notice was sent to

the State's Attorney as required. The Company was in violation of 215 ILCS 5/397.1(a).

In one (1) file (0.95% of the 105 examined), the Company was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for sending a delay letter late.

8. Homeowner Closed Without Payment

In one (1) file (1.22% of the 82 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) for failing to send a denial letter to the insured.

In one (1) file (1.22% of the 82 examined), detailed documentation was missing which did not permit reconstruction of the Company's activities relative to the claims file. The Company was in violation of 50 Ill. Adm. Code 919.30(c).

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 Standard Property and Casualty Insurance Company, (the "Company"), NAIC 15199.

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;

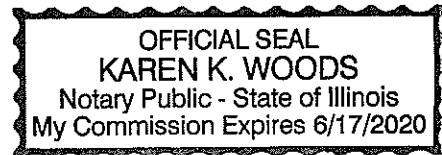
That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance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

*Roger D. Henschen*

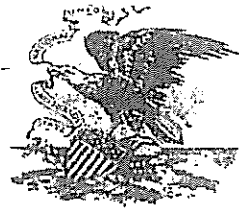
Examiner-In-Charge

Subscribed and sworn to before me  
this 26 day of April, 2018

*Karen K. Woods*  
Notary Public



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

STANDARD PROPERTY AND CASUALTY INSURANCE COMPANY  
1028 SOUTH GRAND AVENUE  
SPRINGFIELD, IL 62704

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, Standard Property and Casualty Insurance Company ("the Company"), NAIC 15199, 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 specific explanation of the reason or reasons for cancellation on as required by 215 ILCS 5/143.15.
2. Institute and maintain policies and procedures whereby the Company shall not exercise its option to cancel a policy that has been in effect 60 days, or a renewal policy, except for reasons permitted by statute as required by 215 ILCS 5/143.19.
3. 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).
4. Institute and maintain policies and procedures whereby the Company shall provide a reasonable period of time for rehabilitation of property prior to cancellation, as required by 215 ILCS 5/143.27
5. Institute and maintain policies and procedures whereby the Company shall provide the insured who experienced a total loss the information contained in Exhibit A and will provide that information within seven (7) days of the insured vehicle being determined a total loss as is required by 50 Ill. Adm. Code 919.80(c).
6. Institute and maintain policies and procedures whereby the Company will maintain complete documentation in the claim file of how the market value of an insured vehicle was determined as required by 50 Ill. Adm. Code 919.80(c)(2)(E).
7. Institute and maintain policies and procedures whereby the Company shall reimburse the insured the applicable sales tax and transfer and title fees as required by 50 Ill. Adm. Code 919.80(c)(3)(A)(i).
8. Institute and maintain procedures to maintain documentation in each of its claim files, which permits its claims activities to be reconstructed as required by 50 Ill. Adm. Code 919.30(c).
9. 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).

10. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above (9) orders within 30 days of execution of this Order.
11. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$22,200.00 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 STANDARD PROPERTY AND CASUALTY INSURANCE COMPANY

  
\_\_\_\_\_  
Signature

Jeffrey Weissmann  
\_\_\_\_\_  
Name

General Counsel & Secretary  
\_\_\_\_\_  
Title

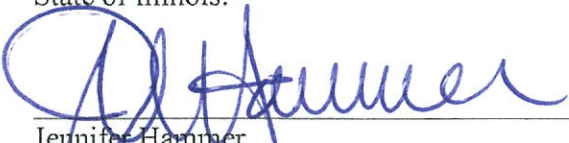
Subscribed and sworn to before me this  
17<sup>th</sup> day of September 2018.

  
\_\_\_\_\_  
Notary Public

**GYNINE MONTALTO**  
Notary Public, State of New York  
No. 01MO6341432  
Qualified in Queens County  
Certified in New York County  
Commission Expires May 2, 2020

DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 9/24/18

  
\_\_\_\_\_  
Jennifer Hammer  
Director

