



Illinois Department of Insurance

JB PRITZKER
Governor

ROBERT H. MURIEL
Director

VIA ELECTRONIC MAIL
VIA USPS

July 15, 2019

Mr. Matthew J. Dutkanych
President
Unique Insurance Company
7400 North Caldwell Avenue
Niles, IL 60714

Re: Unique Insurance Company, NAIC 10655
Market Conduct Examination Report Closing Letter

Dear Mr. Dutkanych:

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 blue ink that reads "Erica Weyhenmeyer".

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
E-mail: Erica.Weyhenmeyer@Illinois.gov

ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF

UNIQUE INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 12, 2016 through February 28, 2017

EXAMINATION OF: Unique Insurance Company
NAIC #10655

LOCATION: 7400 North Caldwell Avenue
Niles, Illinois 60714

PERIOD COVERED BY EXAMINATION: September 1, 2015 through August 31, 2016
(Complaints reviewed for the period March 1, 2015 through August 31, 2016)

EXAMINERS: Timothy R. Nutt, Examiner-in-Charge
Michael Currier, Senior Examiner
Thomas Brinkley, Senior Examiner
Cheryl Cole, Senior Examiner
Benjamin Darnell, Senior Examiner

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I. SUMMARY

A compliance market conduct examination of Unique Insurance Company (herein referred to as “the Company”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code, and specifically with the orders issued to the Company by the Illinois Department of Insurance (“Department” or “DOI”) in May of 2014.

The following represents 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	Number of Violations	Error %
3	215 ILCS 5/1005(B)(4)	Operations & Management — Privacy Notice not compliant	1	1	1	100%
4	215 ILCS 5/143.17a(a)	Risk Selection, CA Nonrenewals — Timely notice of nonrenewal	17	17	12	71%
5	216 ILCS 5/143.10a(1)	Risk Selection, CA Nonrenewals — Loss information not provided	17	17	4	24%
7	215 ILCS 5/143.17	Risk Selection, PPA Nonrenewals — Timely notice of nonrenewal	718	113	15	13%
14	215 ILCS 5/154.6(b)	Complaints, DOI — Failure to respond timely to claims communications	690	113	37	33%
16	50 Ill. Adm. Code 919.80(b)(2)	Complaints, DOI — Failure to provide written notice of delay (1 st Party)	690	113	4	4%
17	50 Ill. Adm. Code 919.80(b)(3)	Complaints, DOI — Failure to provide written notice of delay (3 rd Party)	690	113	9	8%
18	50 Ill. Adm. Code 919.30(c)	Complaints, DOI — Failure to maintain detailed documentation	690	113	12	11%
19	50 Ill. Adm. Code 919.80(b)(2)	Claims, PPA 1 st Party Paid — Failure to provide written notice of delay	5,897	109	39	36%
20	215 ILCS 5/154.6(b)	Claims, PPA 1 st Party Paid — Failure to respond to communications	5,897	109	15	14%
21	50 Ill. Adm. Code 919.50(a)	Claims, PPA 1 st Party Paid — Failure to pay claims timely	5,897	109	3	3%
25	215 ILCS 5/143.14(a)	Risk Selection, CA Cancellations — No proof of mailing	783	79	1	1%
28	50 Ill. Adm. Code 919.80(b)(2)	Claims, PPA 1 st Party CWP — Failure to provide written notice of delay	4,872	108	5	5%

TABLE OF TOTAL VIOLATIONS

Crit	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
29	50 Ill. Adm. Code 919.50(a)(1)	Claims, PPA 1 st Party CWP — Failed to provide denial letter or failed to include Notice of Availability of DOI	4,872	108	6	5%
31	215 ILCS 5/143d(b)	Complaints, Non-DOI — Failure to respond timely	192	79	2	3%
35	215 ILCS 5/154.6(b)	Complaints, Non-DOI — Failure to respond timely to claim communications	192	79	8	10%
37	50 Ill. Adm. Code 919.30(c)	Claims, CA 1 st Party Paid — Failure to maintain detailed documentation	41	41	2	5%
41	50 Ill. Adm. Code 919.50(a)(1)	Claims, CA 1 st Party CWP — No Notice of Availability of DOI	91	76	1	1%
42	50 Ill. Adm. Code 919.30(c)	Claims, CA 1 st Party CWP — Failure to maintain detailed documentation	91	76	7	9%
43	50 Ill. Adm. Code 919.80(b)(3)	Claims, PPA 3 rd Party Paid — Failure to provide written notice of delay	4,760	108	8	7%
44	215 ILCS 5/154.6(b)	Claims, PPA 3 rd Party Paid — Failure to acknowledge claim communications	4,760	108	9	8%
49	215 ILCS 5/143.15	Risk Selection, PPA Cancellations — Notice of cancellation not timely	23,316	116	2	2%
50	215 ILCS 5/143.14(a)	Risk Selection, PPA Cancellations — No proof of mailing	23,316	116	2	2%
53	50 Ill. Adm. Code 919.80(b)(2)	Claims, Total Loss — No written notice of delay	1,196	107	4	4%
54	50 Ill. Adm. Code 919.80(c)	Claims, Total Loss — Information required by Exhibit A not provided	1,196	107	17	16%
57	50 Ill. Adm. Code 919.30(c)	Claims, Subrogation — Failure to maintain detailed documentation	1,008	107	8	7%
58	215 ILCS 5/143b	Claims, Subrogation — Failed to return deductibles	1,008	107	5	5%
59	215 ILCS 5/154.6(b)	Claims, CA 3 rd Party Paid — Failed to acknowledge communications	196	76	13	17%
60	50 Ill. Adm. Code 919.50(a)	Claims, CA 3 rd Party Paid — Failed to pay claims timely	196	76	3	4%

TABLE OF TOTAL VIOLATIONS

Crit	Statute/Rule	Description of Violation	Population	Files Reviewed	Number of Violations	Error %
63	50 Ill. Adm. Code 919.80(b)(3)	Claims, PPA 3 rd Party CWP — Failure to provide written notice of delay	5,652	109	7	6%
66	50 Ill. Adm. Code 919.50(a)(2)	Claims, CA 3 rd Party CWP — No denial notice	175	76	2	4%

II. BACKGROUND

Unique Insurance Company was incorporated on March 21, 1996, under the laws of Illinois and commenced business on April 4, 1996. The Company provides nonstandard private passenger and commercial automobile liability and physical damage insurance to policyholders in Illinois, Indiana, Georgia, Mississippi, New Mexico and Tennessee.

Unique Insurance Company has corporate offices located at 7400 North Caldwell Avenue, Niles, Illinois 60714.

The Company markets its products through independent agents.

The Company's 2015 NAIC Annual Statement reflects the following:

Year	Business Line	Direct Premium Written	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred
2015	Private Passenger Auto Liability	\$53,132,602	\$25,061,309	\$19,155,103	\$17,217,367
2015	Commercial Auto Liability	\$1,849,176	\$2,098,050	\$1,880,245	\$917,349
2015	Auto Physical Damage	\$31,492,768	\$15,779,602	\$14,539,294	\$7,142,720

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The period under review was generally September 1, 2015 through August 31, 2016. The following categories were the general areas examined:

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

The review of these categories was accomplished through examination of individual policy and claim files, Company procedures, written interrogatories and interviews with Company personnel. Each of these categories was examined for compliance with Department of Insurance rules and regulations, and applicable state laws.

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

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

Operations and Management

The review of the Company’s operations and management is designed to determine how the Company operates. Examiners reviewed both publicly available documents, such as prior market conduct examinations and annual statements, as well as internal documents such as Company procedures and internal audit reports.

Complaint Handling

Department of Insurance Complaints (“DOI”) and Consumer (“Non-DOI”) complaints for the period March 1, 2015 through August 31, 2016, were reviewed for compliance with applicable state laws and Company guidelines.

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

Non-DOI Complaints – The population request for this category consisted of complaints received by the Company directly from consumers during the experience period. The Company’s complaint registry was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Marketing and Sales

The Marketing and Sales portion of the examination is designed to evaluate the representations made by the Company about its products or services. The items requested for this category consisted of all sales, advertising, producer training and producer communications created during the examination period. This review is typically based on judgmental sampling techniques.

Producer Review

Producer licensing and terminations were reviewed for compliance with statutory requirements. Samples were selected based on transactions occurring during the period under examination.

Risk Selection

Cancellations and nonrenewals were reviewed for compliance with statutory requirements and to ensure reasons for termination were valid and not unfairly discriminatory. Samples were selected based on transactions occurring during the period under examination.

Underwriting and Rating

The underwriting sample consisted of new and renewal business and was selected based on the inception or renewal date occurring during the period under examination. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and compliance with Company underwriting guidelines.

Claims

Claims were selected based on settlement occurring within the period under examination. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*). Reviews were conducted of both claims paid and those closed without payment (“CWP”).

IV. SELECTION OF SAMPLES

	<u>Total</u>	<u>Number</u>	<u>Percentage</u>
A. Operations and Management			
1. Privacy Forms	1	1	100%
B. Complaint Handling			
1. DOI Complaints	690	113	16%
2. Non-DOI Complaints	192	79	41%
C. Marketing and Sales			
1. Marketing and Sales	0	0	N/A
D. Producer Review			
1. Producer Licensing	81,499	91	<1%
2. Producer Terminations	0	0	N/A
E. Risk Selection			
1. PPA Cancellations First 60 days	33,748	109	<1%
2. CA Cancellations First 60 days	783	79	10%
3. PPA Cancellations After 60 days	23,316	116	<1%
4. CA Cancellations After 60 days	2,359	115	5%
5. PPA Nonrenewals	718	113	16%
6. CA Nonrenewals	17	17	100%
7. PPA Rescissions	52	52	100%
8. CA Rescissions	0	0	N/A
F. Underwriting and Rating			
1. PPA New Business	81,499	91	<1%
2. CA New Business	1,493	57	4%
3. PPA Renewals	71,188	92	<1%
4. CA Renewals	1,540	57	4%
G. Claims			
1. PPA First-Party Paid	5897	109	2%
2. CA First-Party Paid	41	41	100%
3. PPA First-Party CWP	4872	108	2%
4. CA First-Party CWP	91	76	84%
5. PPA Third-Party Paid	4760	108	2%
6. CA Third-Party Paid	196	76	39%
7. PPA Third-Party CWP	5652	109	2%
8. CA Third-Party CWP	175	76	43%
9. Total Loss	1196	107	9%
10. Subrogation	1008	107	11%
11. Litigated	752	105	14%

V. **FINDINGS**

A. Operations and Management

Privacy form UIC PRIVNOT 2013 does not contain a description of the rights established under Sections 1009 (access to recorded personal information) and 1010 (correction, amendment or deletion of recorded personal information) in violation of 215 ILCS 5/1005(B)(4).

B. Complaint Handling

1. DOI Complaints

The Company failed to acknowledge with reasonable promptness pertinent communications in 37 claim files as required by 215 ILCS 5/154.6(b).

In four (4) files, the Company failed to provide a written explanation for first-party claim delays as required by 50 Ill. Adm. Code 919.80(b)(2).

In nine (9) files, the Company failed to provide written explanation for third-party claim delays as required by 50 Ill. Adm. Code 919.80(b)(3). This is a violation of prior order #11 issued by the Department in May, 2014.

The Company failed to maintain detailed documentation in order to permit reconstruction of the Company's activities for 12 claim files as required by 50 Ill. Adm. Code 919.30(c).

2. Non-DOI Complaints

The Company did not respond to two (2) complaints within 21 days of receipt as required by 215 ILCS 5/143d(b).

The Company failed to acknowledge with reasonable promptness pertinent communications in eight (8) claim files as required by 215 ILCS 5/154.6(b).

C. Marketing and Sales

No violations were noted.

D. Producer Review

1. Producer Licensing

No violations were noted.

E. Risk Selection

1. Private Passenger Automobile Cancellations First 60 Days

No violations were noted.

2. Commercial Automobile Cancellations First 60 Days

The Company failed to maintain proof of mailing for one (1) cancellation as required by 215 ILCS 5/143.14(a).

3. Private Passenger Automobile Cancellations After 60 Days

The Company failed to provide timely notice for two (2) cancellations as required by 215 ILCS 5/143.15.

The Company failed to maintain proof of mailing for two (2) cancellations as required by 215 ILCS 5/143.14(a).

4. Commercial Automobile Cancellations After 60 Days

No violations were noted.

5. Private Passenger Automobile Nonrenewals

The Company failed to provide the required number of days notice for 15 nonrenewals as required by 215 ILCS 5/143.17.

6. Commercial Automobile Nonrenewals

The Company failed to provide the proper number of days notice for 12 nonrenewals as required by 215 ILCS 5/143.17a(a). This is a violation of prior order #5 issued by the Department in May, 2014.

The Company failed to provide loss information along with four (4) nonrenewal notices as required by 215 ILCS 5/143.10a(1). This is a violation of prior order #4 issued by the Department in May, 2014.

7. Private Passenger Automobile Rescissions

No violations were noted.

F. Underwriting and Rating

1. Private Passenger Auto New Business

No violations were noted.

2. Commercial Auto New Business

No violations were noted.

3. Private Passenger Auto Renewals

No violations were noted.

4. Commercial Auto Renewals

No violations were noted.

G. Claims

1. Private Passenger Auto First-Party Paid

The Company failed to provide a written explanation of delay for 40 claims pending over 40 days as required by 50 Ill. Adm. Code 919.80(b)(2). This is a violation of prior order #9 issued in May, 2014.

The Company failed to respond to pertinent communications in 15 claims as required by 215 ILCS 5/154.6(b).

The Company failed to pay three (3) claims within 30 days after affirmation of liability as required by 50 Ill. Adm. Code 919.50(a).

2. Commercial Auto First-Party Paid

The Company failed to maintain detailed documentation in order to permit reconstruction of the Company's activities in two (2) files as required by 50 Ill. Adm. Code 919.30(c).

3. Private Passenger Auto First-Party Closed Without Payment

The Company failed to provide a written explanation of delay for five (5) claims pending over 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).

The Company failed to send a letter of explanation or include Notice of Availability of the Department of Insurance in six (6) files, which is a violation of 50 Ill. Adm. Code 919.50(a)(1).

4. Commercial Auto First-Party Closed Without Payment

In one (1) claim, the Company did not include Notice of Availability of the Department of Insurance in the denial letter as required by 50 Ill. Adm. Code 919.50(a)(1).

The Company failed to maintain detailed documentation in order to permit reconstruction of the Company's activities for seven (7) claim files as required by 50 Ill. Adm. Code 919.30(c).

5. Private Passenger Auto Third-Party Paid

The Company failed to provide a written explanation for delay for eight (8) claims pending over 60 days as required by 50 Ill. Adm. Code 919.80(b)(3).

The Company failed to respond to pertinent communications in nine (9) claims as required by 215 ILCS 5/154.6(b).

6. Commercial Auto Third-Party Paid

The Company failed to respond to pertinent communications in 13 claims as required by 215 ILCS 5/154.6(b).

The Company failed to pay three (3) claims within 30 days after affirmation of liability as required by 50 Ill. Adm. Code 919.50(a).

7. Private Passenger Auto Third-Party Closed Without Payment

The Company failed to provide a written explanation for delay for seven (7) claims pending over 60 days as required by 50 Ill. Adm. Code 919.80(b)(3).

8. Commercial Auto Third-Party Closed Without Payment

The Company failed to provide written explanation of denial for two (2) claims as required by 50 Ill. Adm. Code 919.50(a)(2).

9. Private Passenger Auto Total Loss

The Company failed to provide a written explanation for delay for four (4) claims pending over 40 days as required by 50 Ill. Adm. Code 919.80(b)(2).

In 17 claims, the Company failed to send a letter with the information required by Exhibit A of 50 Ill. Adm. Code 919.80(c).

10. Private Passenger Auto Subrogation

The Company failed to maintain detailed documentation in order to permit reconstruction of the Company's activities in eight (8) files as required by 50 Ill. Adm. Code 919.30(c).

In five (5) claims, the Company failed to return the deductible from the net subrogation recovery as required by 215 ILCS 5/143b.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

UNIQUE INSURANCE COMPANY
7400 NORTH CALDWELL AVENUE
NILES, IL 60714

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, Unique Insurance Company ("the Company"), NAIC 10655, 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.*), the federal Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA), and related rules and statutes; 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 ensure the Notice of Insurance Information describes the rights established under Sections 1009 ("Access to Recorded Personal Information") and 1010 ("Correction, Amendment or Deletion of Recorded Personal Information") and the manner in which such rights may be exercised as required by 215 ILCS 5/1005(B)(4).
2. Institute and maintain policies and procedures whereby the Company shall provide the insured a notice of nonrenewal at least 60 days prior to the expiration date of the policy and shall provide a specific explanation of the reason or reasons for nonrenewal on the notice as required by 215 ILCS 5/143.17a(a).
3. Institute and maintain policies and procedures whereby the Company shall provide loss information to the insured with the notice of cancellation or nonrenewal as required by and outlined in 215 ILCS 5/143.10a(1).
4. Institute and maintain policies and procedures whereby the Company provides the insured with at least 30 days advanced notice of nonrenewal and provides a specific reason or reasons for nonrenewal as required by 215 ILCS 5/143.17.
5. 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).
6. Institute and maintain policies and procedures whereby the Company shall maintain detailed documentation in a claim file in order to permit reconstruction of the Company's activities relative to the claim as required by 50 Ill. Adm. Code 919.30(c).
7. Institute and maintain policies and procedures whereby the Company shall provide the insured with, at a minimum, the information contained in Exhibit A, within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c).
8. Institute and maintain policies and procedures whereby the Company shall provide the claimant with a reasonable written explanation for the delay when a third-party claim remains unresolved in excess of 60 calendar days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(3).
9. Institute and maintain policies and procedures whereby the Company shall provide the insured with a reasonable written explanation for the delay when a first party claim remains unresolved for more than 40 calendar days from the date it is reported as required by 50 Ill. Adm. Code 919.80(b)(2).
10. Institute and maintain policies and procedures whereby the Company shall keep record of agency/producer licensure in accordance with 215 5/500-15.

11. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above ten orders within 30 days of execution of this Order.
12. The Department will conduct a re-examination of the Company beginning no later than October 1, 2019.
13. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$50,000.00 to be paid within 30 days of execution of this Order.

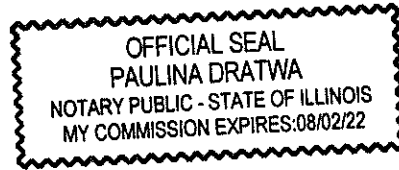
NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order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

On behalf of UNIQUE INSURANCE COMPANY

[Handwritten Signature]
Signature
MATTHEW J. DUTKANSKY
Name
President
Title

Subscribed and sworn to before me this
1st day of MAY 2019.

Paulina Dratwa
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 5/2/19

[Handwritten Signature]
Robert H. Muriel
Acting Director

