



Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Acting Director

VIA ELECTRONIC MAIL

November 5, 2021

Mr. Christopher Foy, President
c/o Barry Moses
Technology Insurance Company Inc.
59 Maiden Lane, 43rd Floor
New York, NY. 10038

Re: Technology Insurance Company Inc., NAIC 42376
Wesco Insurance Company, NAIC 25011
Security National Insurance Company, NAIC 19879
AmTrust Insurance Company, NAIC 15954
Market Conduct Examination Report Closing Letter

Dear Mr. Foy:

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

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

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer
Chief Market Conduct Examiner
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

**TECHNOLOGY INSURANCE COMPANY INC.
WESCO INSURANCE COMPANY
SECURITY NATIONAL INSURANCE COMPANY
AMTRUST INSURANCE COMPANY**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 11, 2020 – May 31, 2021

EXAMINATION OF: Technology Insurance Company Inc., NAIC 42376
Wesco Insurance Company, NAIC 25011
Security National Insurance Company, NAIC 19879
AmTrust Insurance Company, NAIC 15954

LOCATION: 59 Maiden Lane, 43rd Floor New York, NY. 10038

PERIOD COVERED: October 1, 2018 to September 30, 2020 and April 1, 2018 to September 30, 2020 for complaints.

EXAMINERS: Karina Ruthenberg, MCM
Lisa Crump, CIE, AMCM, FLMI, ACS, ALHC, AIAA
Tony J. Taylor, DM, MBA, PMP, CSM, SA
George Kalargyros, MCM, LPCS, Examiner-in-Charge
Shelly Schuman, ACS, AIE, AMCM, CICS, FLMI, HIA,
PAHM, Supervisory Insurance Examiner

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I. FOREWORD

This is a market conduct examination report of Technology Insurance Company Inc., Wesco Insurance Company, Security National Insurance Company and AmTrust Insurance Company (the “Company”). This examination was conducted remotely, at authorized offsite locations.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance (“IDOI” or “Department”).

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425).

The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (215 ILCS 5/1 et seq.), (820 ILCS 305/1 et seq.), the Illinois Administrative Code (50 Ill. Admin. Code 2902 and 9110), and to consider whether the Company's operations are consistent with the public interest for workers compensation. The primary period covered by this review is October 1, 2018 through September 30, 2020, and April 1, 2018 through September 30, 2020 for complaints, unless otherwise noted. Errors outside of this time period discovered during the examination, however, may also be included in the report.

The examination involved the following business functions and lines of business: Department of Insurance and consumer complaints, company operations and management, producer licensing, underwriting and rating, and claims handling practices for the Company's workers compensation line of business.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, products, forms, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

III. SUMMARY

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

TABLE OF TOTAL VIOLATIONS					
Criticism #	Statute/Rule	Description of Violation	Files Reviewed	# of Violations	Error %
001	215 ILCS 5/143.17(e)	Failure to provide a specific explanation as to the reasons for nonrenewal.	115	17	14.8%
002	50 IL. Adm 926.40(a)	Complaint Handling Procedure	29	4	13.8%
003	215 ILCS 5/143.17.a.	Notice of intention not to renew	76	1	1.3%
004	820 ILCS 05/8.2(d)(3)	Interest payments	29	1	3.4%
005	215 ILCS 5/462a	Failure to provide 30-day notice prior to the new effective date of the policy.	115	5	4.3%
006	215 ILCS 5/462a	Failure to provide proper notice of premium increase greater than 5%.	115	5	4.3%
007	215 ILCS 5/141.01	Policy nonrenewal due to termination of agent.	114	9	7.9%

IV. BACKGROUND

AmTrust Financial Services (“AmTrust Financial”) is a specialty property and casualty insurance company with nearly 6,000 employees worldwide. AmTrust Financial focuses on small business insurance solutions with an emphasis on workers compensation. AmTrust Financial is rated A- (Excellent) with a financial size of “XV” by A.M. Best. AmTrust Financial was first organized in 1972 under the name Trinity Universal Insurance Company of Kansas, Inc. and was later purchased by Unitrin Inc, (Kemper Corporation). In 2008, AmTrust Financial was sold to AmTrust Financial Services Inc., a publicly traded insurance holding company. AmTrust Financial Services Inc. was a publicly traded company through 2019, when it merged with Evergreen Parent, L.P., which is an entity formed with private equity funds managed by Stone Street Capital LLC and the Karfunkel-Zyskind family. In 2019, AmTrust Financial de-listed from the NASDAQ and is currently privately managed. The Companies being examined are wholly owned subsidiaries of AmTrust Financial.

V. METHODOLOGY

The market conduct examination covered business for the period of October 1, 2018 to September 30, 2020 and April 1, 2018 to September 30, 2020 for complaints. Specifically, the examination focused on a review of the following areas:

- a. Department of Insurance and Consumer Complaints
- b. Company Operations and Management
- c. Producer Licensing
- d. Marketing and Sales
- e. Underwriting and Rating
- f. Claims

The review of the categories was accomplished through the examination of policyholder, claims, and complaint files. Each of the categories were examined for compliance with Department regulations and applicable state laws.

The report states whether improper practices performed by the Company resulted in the failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid violations were cited in the report. The following methods were used to obtain the required samples and to assure a methodical selection:

Department and Consumer Complaints

The Department requested the Company provide all files relating to workers compensation complaints received via the Department and those received directly from consumers.

Marketing and Sales

Documents pertaining to the marketing and sales of workers compensation products was requested.

Producer Licensing

New business was reviewed to determine if solicitations had been made by duly licensed persons.

Underwriting and Rating

The underwriting of applicants for both voluntary and involuntary workers compensation coverage was selected based on inception date of the policy falling within the period of the examination. Policies were reviewed for rating accuracy, use of filed rates, and use of filed forms, for compliance with company and NCCI underwriting guidelines.

Cancellation and non-renewals of policyholders were requested based on the effective date of the transaction falling within the examination period. Cancellation and non-renewals were reviewed for their compliance with statutory requirements, the accuracy of reason given, NCCI rules (for involuntary business), and for any possible discrimination. The Company indicated that there were no non-renewal policies for the involuntary business.

Claims

All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq. and 820 ILCS 305/1 et seq.) and the Illinois Administrative Code (50 Ill. Admin. Code 2902 and 9110).

VI. SAMPLE SELECTION

Survey	Reviewed	% Reviewed
Complaints		
Consumer Complaints	0	0
Department of Insurance Complaints	29	100%
Producer Licensing		
Licensing Review	0	0
Underwriting and Rating		
New Business	230	42.4%
Renewal Business	230	1.5%
Non-Renewal Business	229	2.4%
Rating (New Business & Renewal Business)	100	>1%
Cancellations	165	19.2%
Claims Analysis		
Paid Claims	190	4.9%
Denied Claims	165	52.4%
Claims Closed without Payment	70	100%

VII. FINDINGS

- a. Complaints
 - i. Consumer Complaints
 - 1. There were no consumer complaints during the experience period.
 - ii. Department of Insurance Complaints
 - 1. In the four instances of the twenty-nine DOI complaint files reviewed, for an error percentage of 13.8%, the Company failed to respond to the Department within 21 calendar days as required by Section 926.40 a.
 - 2. In one instance out of twenty-nine DOI complaint files reviewed, for an error rate of 3.4%, the Company failed to provide an interest payment as required which is a violation of Illinois Work Comp Act 820 ILCS 305/8.2 (d).
 - 3. The median for response to the Department was 14 days.
- b. Producer Licensing
 - 1. There were forty producers reviewed.
 - 2. No exceptions were noted.
- c. Marketing and Sales
 - 1. The Company does not market to consumers.
 - 2. No issues were noted with documents provided.
- d. Underwriting and Rating
 - i. New Business – Voluntary and Involuntary
 - 1. There were 230 files reviewed.
 - 2. No exceptions were noted.
 - ii. Renewals – Voluntary
 - 1. In five files out of 115 for an error rate of 4.3%, the Company failed to provide 30-day notice prior to the new effective date of the policy. This is a violation of 215 ILCS 5/462a.
 - 2. In five files out of 115, for an error rate of 4.3%, the premium charged was in excess of 5% above the rate recommendation filed with the Department of Insurance and the Company failed to mail the proper notice.
 - iii. Renewals – Involuntary
 - 1. There were 115 files reviewed.
 - 2. No exceptions were noted.
 - iv. Non-Renewals – Voluntary
 - 1. In seventeen files out of 115, for an error rate of 14.8%, the Company failed to provide a specific explanation as to the reasons for nonrenewal per 215 ILCS 5/143.17. e.
 - 2. In one file out of seventy-six, for an error rate of 1.3%, the Company did not give at least 60 days' notice with an explanation for the nonrenewal as required per 215 ILCS 5/143.17. a.
 - 3. In nine files out of 114, for an error rate of 7.9%, the Company improperly nonrenewed policies due to agent terminations.
 - v. Non-Renewals – Involuntary
 - 1. There were 114 files reviewed.
 - 2. No exceptions were noted.
 - vi. Rating – Voluntary and Involuntary
 - 1. There were 100 files reviewed.
 - 2. No exceptions were noted.
 - vii. Canceled – Voluntary and Involuntary
 - 1. There were 165 files reviewed.
 - 2. No exceptions were noted.

- viii. Non-Renewal – Voluntary and Involuntary
 - 1. There were 229 files reviewed.
 - 2. No exceptions were noted.
- e. Claims
 - i. Paid Claims – Voluntary and Involuntary
 - 1. There were 190 files reviewed.
 - 2. No exceptions were noted.
 - ii. Closed Claims – Voluntary and Involuntary
 - 1. There were 165 files reviewed.
 - 2. No exceptions were noted.
 - iii. Claims Closed Without Payment – Voluntary and Involuntary
 - 1. There were seventy files reviewed.
 - 2. No exceptions were noted.

EXAMINATION DRAFT REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Karina Ruthenberg
Lisa Crump
Tony J. Taylor
George Kalargyros, Examiner-in-Charge
Shelly Schuman, Supervisory Insurance Examiner

Respectfully submitted,

George Kalargyros

GEORGE KALARGYROS
EXAMINER-IN-CHARGE

Shelly Schuman

SHELLY SCHUMAN
SUPERVISING EXAMINER

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

TECHNOLOGY INSURANCE COMPANY INC.
59 MAIDEN LANE, 43RD FLOOR
NEW YORK, NY. 10038

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, Technology Insurance Company Inc., NAIC 42376, Wesco Insurance Company, NAIC 25011, Security National Insurance Company, NAIC 19879, AmTrust Insurance Company, NAIC 15954 ("the Company"), is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of April 1, 2018 through September 3, 2020, 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:

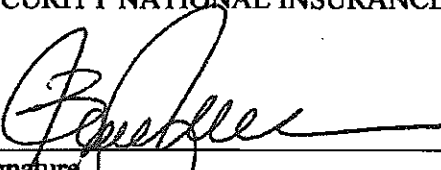
1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance 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 a specific explanation as to the reasons for nonrenewal. 215 ILCS 5/143.17(e)
2. Institute and maintain policies and procedures whereby the Company shall respond to Illinois Department of Insurance complaint files within 21 calendar days as required by 50 IL Adm 926.40(a).
3. Institute and maintain policies and procedures whereby the Company shall not cancel, terminate or refuse to renew any policy on the ground that the company's contract with the agent through whom such policy was obtained has been terminated. 215 ILCS 5/141.01
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within 30 days of execution of this Order.
5. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$6,500.00 to be paid within 10 days of execution of this Order.

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

On behalf of TECHNOLOGY INSURANCE COMPANY INC., WESCO INSURANCE COMPANY, SECURITY NATIONAL INSURANCE COMPANY, and AMTRUST INSURANCE COMPANY




Signature
Barry W. Moses

Name
Assistant Secretary

Title

Subscribed and sworn to before me this
30th day of September, 2021.

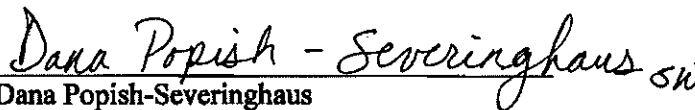


Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 10/5/2021



Dana Popish-Severinghaus SW
Acting Director

