



Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Acting Director

March 24, 2021

Mr. John Patrick Heywood, President
American Heartland Insurance Company
United Equitable Insurance Company
9040 Waukegan Road
Morton Grove, IL 60053

**Re: American Heartland Insurance Company, NAIC 10031
United Equitable Insurance Company, NAIC 24910
Market Conduct Examination Report Closing Letter**

Dear Mr. Heywood:

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
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**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION OF**

American Heartland Insurance Company
United Equitable Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 5, 2019 through May 1, 2020

EXAMINATION OF: American Heartland Insurance Company
NAIC Number: 10031

United Equitable Insurance Company
NAIC Number 24910

LOCATION OF EXAMINATION: 9040 Waukegan Road
Morton Grove, Illinois 60053

320 West Washington Street
Springfield, Illinois 62767

PERIOD COVERED BY EXAMINATION: May 1, 2018 through April 30, 2019
Complaints – November 27, 2017 through April
30, 2019

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

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I. SUMMARY

A market conduct examination of American Heartland Insurance Company and United Equitable Insurance Company was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

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

TABLE OF VIOLATIONS-AMERICAN HEARTLAND

Crit #	Statute/Rule	Survey/Description of Violation	Population	Files Reviewed	# of Violations	Error %
6	215 ILCS 5/143.19	PPA Cancels (midterm): not a reason to midterm cancel	114	79	1	1.27%
7	215 ILCS 5/143.19.1	PPA Nonrenewals (renewed 5 years or more): not 1 of reasons to cancel or no 60-day notice	1	1	1	100%
10	215 ILCS 5/143.19b	PPA Nonrenewals (renewed less than 5 years): cannot nonrenew for claims when no claims payment	475	86	2	2.33%
11	50 IAC 754.10(a) and (b)	PPA New Business: Liability Age Factor and Auto Age Factor not filed	20,347	116	116	100%
13	50 IAC 754.10(a) and (b)	PPA New Business: failure to follow filed rules (\$112.00 undercharge)	20,347	116	1	0.86%
16	50 IAC 754.10(a) and (b)	PPA Renewals: failure to follow rules (\$78.00 overcharges reimbursed)	13,343	116	8	6.90%
24 and 30	215 ILCS 5/143b	PPA Subrogation: fail to pay pro rata share of deductible (\$875.00 in payments made)	17	17	2	11.76%
25	50 IAC 926.40(a)	DOI Complaints: late response	111	111	1	0.90%
31	215 ILCS 5/143d(b)	Consumer Complaints: no written response to written complaint	3	3	1	33.33%
36	50 IAC 919.80(b)(2)	PPA 1 st Party CWP: failure to provide proper delay letter;	445	53	11	20.75%
43	50 IAC 919.80(d)(3)	PPA 1 st Party Paid: fail to pay towing/storage charges (co. made 3 reimbursements totaling \$398.00)	306	82	6	7.32%
44	50 IAC 919.80(b)(2)	PPA 1 st Party Paid: fail to provide proper delay letter;	306	60	8	13.33%
45	50 IAC 919.30(c)	PPA 1 st Party Paid; lack of documentation	306	82	1	1.22%
47	50 IAC 926.50; 215 ILCS 5/143d(b)	PPA 1 st Party Paid: fail maintain record of complaint; fail to make written response to written complaint	306	82	1	1.22%
61	50 IAC 919.80(b)(2)	PPA Total Losses: fail to send proper delay letter	57	55	9	16.36%
62	50 IAC 919.80(c)	PPA Total Losses: fail to provide or timely provide insured with Exhibit A	57	57	7	12.28%
64	50 IAC 919.80(d)(3)	PPA 1 st Total Losses: co. took advance charge deductions for towing/storage when insured did not create excessive charges	57	57	7	12.28%
77	50 IAC 919.50(a)	PPA 3 rd Party Paid: fail to offer or make payment within 30 days when documentation needed was present	549	105	1	0.95%

Crit #	Statute/Rule	Survey/Description of Violation	Population	Files Reviewed	# of Violations	Error %
78	215 ILCS 5/154.6(c)	PPA 3rd Party Paid: fail to adopt and implement standards to promptly investigate and settle claim	549	105	6	5.71%
84	50 IAC 919.50(a)	PPA 3rd Party CWP: fail to offer or make payment within 30 days when documentation needed was present	1032	107	1	0.93%

TABLE OF VIOLATIONS - UNITED EQUITABLE

Crit #	Statute/Rule	Survey/Description of Violation	Population	Files Reviewed	# of Violations	Error %
12	50 IAC 754.10(a)&(b)	PPA New Business: Liability Age Factor and Auto Age Factor not filed	23065	116	116	100%
14	50 IAC 754.10(a)&(b)	PPA New Business: failure to follow filed rules (\$18.00 undercharge)	23,065	116	1	0.86%
15	215 ILCS 5/143.19.1	PPA Nonrenewals (renewed 5 years or more): not 1 of the reasons to cancel or no 60 day notice	3	3	3	100%
19	50 IAC 754.10(a)&(b)	PPA Renewals: failure to follow rules (\$481.00 overcharges reimbursed and \$236.00 undercharges)	18,426	116	51	43.97%
20	215 ILCS 5/154; 50 IAC 941.10	PPA Rescissions: no evidence of misrepresentation or fraud	417	86	1	1.16%
21	215 ILCS 5/143.19	PPA Cancels (midterms): not one of the reasons to midterm cancel	239	84	8	9.52%
22	215 ILCS 5/143.15	PPA Cancels (midterms): nonspecific	239	84	9	10.71%
23	215 ILCS 5/143.19b	PPA Nonrenewals (renewed less than 5 years): cannot nonrenew for claims when no claims payment	645	113	6	5.31%
26	215 ILCS 5/154.6(a)	PPA Subrogation: relevant facts or policy provisions misrepresented	96	77	1	1.30%
27	50 IAC 919.50(a)	PPA Subrogation: deductible payment not paid timely	96	77	5	6.49%
28	215 ILCS 5/154.6(d)	PPA Subrogation: fail to make a fair and equitable deductible return	96	77	7	9.09%
29	215 ILCS 5/143b	PPA Subrogation: fail to return insured deductible or correct pro rata share (overpay of \$500 and payments of \$2,413.82)	96	77	12	15.58%
34	50 IAC 926.40(a)	DOI Complaints: late response	184	184	3	1.63%
49	50 IAC 919.50(a)(1)	PPA 1st Party CWP: not a proper denial letter	2102	63	1	1.59%
55	50 IAC 919.80(b)(2)	PPA 1st Party CWP: failure to provide proper delay letter;	2102	81	10	12.35%
57	50 IAC 919.50(a)	PPA 1st Party Paid: payment not timely-not within 30 days	1628	107	3	2.80%
59	215 ILCS 5/154.6(c)	PPA 1st Party Paid: fail to adopt and implement standards to promptly investigate and settle claim	1628	107	1	0.93%
60	215 ILCS 5/154.6(d)	PPA 1st Party Paid: fail to effectuate a fair and equitable settlement	1628	107	1	0.93%
67	50 IAC 919.80(c)	PPA 1st Party Paid: fail to provide or timely provide insured with Exhibit A	1628	23	2	8.70%

Crit #	Statute/Rule	Survey/Description of Violation	Population	Files Reviewed	# of Violations	Error %
70	50 IAC 919.80(c)	PPA Total Losses: fail to provide or timely provide insured with Exhibit A	540	105	2	1.90%
81	50 IAC 919.80(b)(2)	PPA Total Losses: failure to provide proper delay letter;	540	94	5	5.32%
93	215 ILCS 5/154.6(c)	PPA 3rd Party Paid: fail to adopt and implement standards to promptly investigate and settle claim	760	105	1	0.95%
97	50 IAC 919.80(b)(3)	PPA 3rd Party Paid: failure to provide proper delay letter;	760	39	2	5.13%
99	50 IAC 919.30(c)	PPA 3rd Party CWP: detailed documentation missing	1522	107	2	1.87%
100	215 ILCS 5/154.6(b)	PPA 3rd Party CWP: fail to acknowledge with reasonable promptness pertinent communication	1522	107	5	4.67%
102	50 IAC 919.50(a)	PPA 3rd Party CWP: payment not timely-not within 30 days	1522	107	1	0.93%
104	215 ILCS 5/154.6(d)	PPA 3rd Party CWP: fail to effectuate a fair and equitable settlement	1522	107	2	1.87%
105	215 ILCS 5/154.6(c)	PPA 3rd Party CWP: no standards to promptly investigate and settle the claim	1522	107	1	0.93%

II. BACKGROUND

The following companies were the subject of the Market Conduct Exam:

AMERICAN HEARTLAND INSURANCE COMPANY

HISTORY

The company commenced business on May 6, 1994, under the laws of Illinois. Paid-up capital totals \$1 million, which consisted of 100,000 shares of common stock issued at a par value of \$9 per share and 100,000 preferred shares issued at a par value of \$1 per share.

The company is a wholly owned subsidiary of United Equitable Group, Ltd., an Illinois domiciled holding company which also owns United Equitable Insurance Company, and other insurance-related entities.

The affairs of American Heartland and its affiliate, United Equitable Insurance Company, are under the direction of Stephen J. Morrow, president and chief executive officer, who serves in the same capacity with the parent organization.

The company has several management contracts with its affiliated entities for which it receives various management, underwriting, claim handling, policy administration, marketing and policy issuance services. The company is charged a fee or commission for these services.

BUSINESS PROFILE

The company provides non-standard automobile liability and physical damage coverage exclusively in its domiciliary state of Illinois. Policies are written on a semi-annual or annual basis at basic statutory limits. All business is produced through Lakeshore Insurance Services, Inc., an affiliate, who is responsible for coordinating business through the company's network of independent agencies. American Heartland has a management agreement with its parent, United Equitable Group, Ltd., whereby the parent provides corporate shared services to all companies within the United Equitable Group organization, including American Heartland.

2017 State Page Exhibit – 019

	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Other private passenger auto liability	8,616,900	8,557,200	3,209,400	3,863,600
Private passenger auto physical damage	1,904,000	1,894,900	584,800	656,700
Totals	10,520,900	10,452,100	3,794,200	4,520,300

UNITED EQUITABLE INSURANCE COMPANY

HISTORY

This company was incorporated May 29, 1959 under the laws of Illinois. It began business June 18, 1959. The company operated as Globe Security Insurance Company until April 5, 1972, when the present title was adopted.

Effective August 8, 1990, Lincolnwood National Life Insurance Company, formerly known as United Equitable Life Insurance Company, and its wholly owned subsidiary, United Equitable Insurance Company, were placed in rehabilitation. The Illinois Insurance Department petitioned the Cook County Circuit Court on December 18, 1990, for an order of liquidation with the finding of insolvency against both insurers. On December 20, 1991, the order of liquidation was dismissed against United Equitable Insurance Company and it was subsequently acquired by United Equitable Group, Ltd.

All of the capital stock of the company is owned by United Equitable Group, Ltd., a holding company, which purchased the company from the Illinois Department of Insurance on February 27, 1992. The company was under the department's control as the previous owner, Lincolnwood National Life Insurance Company, had been placed under an order of rehabilitation on August 8, 1990.

Prior to the order of rehabilitation, the company was under the control of Lincolnwood National Life Insurance Company. Ownership was acquired in 1972 from the original sponsor, Security Mutual Casualty Company, Chicago, Illinois.

BUSINESS PROFILE

The company provides non-standard automobile liability and physical damage coverage exclusively in its domiciliary state of Illinois. Policies are written on a semi-annual or annual basis at basic statutory limits. All business is produced through Lakeshore Insurance Services, Inc., an affiliate, who is responsible for coordinating business through the company's network of independent agencies.

United Equitable Insurance Company has a management agreement with its parent, United Equitable Group, Inc., whereby the parent provides corporate shared services to all companies within the United Equitable Group organization, including United Equitable Insurance Company. Other affiliated organizations include, American Heartland Insurance Company, which is an insurance underwriter also under the United Equitable Group, and 7373 N. Cicero, a limited partnership jointly owned by United Equitable Insurance and American Heartland, as well as companies that offer brokerage and premium finance services.

2017 State Page Exhibit – 019

	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
Other private passenger auto liability	10,342,100	10,314,600	4,296,300	5,852,500
Private passenger auto physical damage	8,772,100	8,880,400	3,585,600	3,046,400
Totals	19,114,200	19,195,000	7,881,900	8,898,900

III. METHODOLOGY

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

1. Complaints
2. Risk Selection
3. Underwriting
4. Producer Licensing
5. Claims

The review of each category was accomplished through examination of individual underwriting and claim files, written interrogatories and correspondence with Company personnel. Each category was examined for compliance with Illinois Department of Insurance rules and regulations and applicable state laws.

Surveys were developed using a random selection of items from Company-generated data lists, which were then put into standardized Excel workbooks standardized by the Illinois Department of Insurance to ensure a consistent and complete review. Each survey represented contained either a percentage or the total population from the examination period of the files requested.

Complaints

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

Risk Selection

Cancellations and nonrenewals of existing policyholders were requested based on 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 business applications 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, and use of filed forms, for compliance with Company underwriting guidelines and to ensure that the coverage provided was the same as requested by the applicant.

Producer Licensing

The Company pays commissions monthly to its Managing General Agent which, in turn, distributes the commissions among the independent agents writing American Alliance business through the MGA. Therefore, the Company paid 12 monthly commission payments to its MGA during the experience period.

In addition to commissions paid, new business submitted was reviewed to confirm the producer writing the business was properly licensed at the time the application was submitted.

Claims

Claims files 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.).

IV. SELECTION OF SAMPLES

American Heartland Insurance Company

Complaints	Total Files	# Reviewed	% Reviewed
Department of Insurance	111	111	100%
Consumer Complaints	3	3	100%
Risk Selection	Total Files	# Reviewed	% Reviewed
PPA Cancels (First 60 days)	563	113	20.07%
PPA Cancels (midterms)	114	79	69.30%
PPA Non-pay Cancels	3,550	115	32.39%
PPA Non-renewals (under 5 years)	475	86	18.11%
PPA Non-renewals (5 or more years)	1	1	100%
PPA Rescissions	237	84	35.44%
Producer Terminations	0	0	N/A
Underwriting	Total Files	# Reviewed	% Reviewed
PPA Auto New Business	20,347	116	0.57%
PPA Renewals	13,343	116	0.87%
Producer Licensing	Total Files	# Reviewed	% Reviewed
Commissions Paid	2,527	115	4.55%
New Business Submitted	20,347	116	0.57%
Claims	Total Files	# Reviewed	% Reviewed
PPA First Party Collision Paid	306	82	26.80%
PPA First Party Collision CWP	445	83	18.65%
PPA Third Party Property	549	105	19.13%
Damage Paid	Total Files	# Reviewed	% Reviewed
PPA Third Party Property	1032	107	10.37%
Damage CWP	Total Files	# Reviewed	% Reviewed
PPA Total Losses-First Party	57	57	100%
PPA Subrogation	17	17	100%

United Equitable Insurance Company

Complaints	Total Files	# Reviewed	% Reviewed
Department of Insurance	184	184	100%
Consumer Complaints	3	3	100%
Risk Selection	Total Files	# Reviewed	% Reviewed
PPA Cancels (First 60 days)	586	113	19.28%
PPA Cancels (midterms)	239	84	35.15%
PPA Nonpay Cancels	2536	115	45.35%
PPA Nonrenewals (under 5 years)	645	113	17.52%
PPA Nonrenewals (5 or more years)	3	3	100%
PPA Rescissions	417	86	20.62%
Producer Terminations	0	0	N/A
Underwriting	Total Files	# Reviewed	% Reviewed
PPA Auto New Business	23,065	116	0.50%
PPA Renewals	18,426	116	0.63%
Producer Licensing	Total Files	# Reviewed	% Reviewed
Commissions Paid	2,238	115	5.14%
New Business Submitted	23,065	116	5.03%
Claims	Total Files	# Reviewed	% Reviewed
PPA First Party Collision Paid	1628	107	6.57%
PPA First Party Collision CWP	2102	108	5.14%
PPA Third Party Property	760	105	13.82%
PPA Third Party Property Damage CWP	1522	107	7.03%
PPA Total Losses-First Party	540	105	19.44%
PPA Subrogation	96	77	80.21%

V. FINDINGS

American Heartland Insurance Company

- a. Complaints
 - i. Department of Insurance Complaints
 - In one (1) file (0.90% of the 111 examined), the Company was in violation of 50 Ill. Adm. Code 926.40(a). The Company failed to respond to the complaint in a timely manner. (Crit 25)
 - ii. Consumer Complaints
 - In one (1) file (33.33% of the three (3)), the Company was in violation of 215 ILCS 5/143d for failing to respond to the written complaint in a written manner. (Crit 31)
- b. Risk Selection
 - i. Private Passenger Auto Company Initiated Cancellations (1st 60 days)
 - There were no criticisms.
 - ii. Private Passenger Auto Company Initiated Cancellations (midterms)
 - In 1 files (1.27% of the 79), the Company was in violation of 215 ILCS 5/143.19. There are only certain reasons that a company may midterm cancel a policy and the reasons in the 1 files were not one (1) of those reasons. (Crit 6)
 - iii. Private Passenger Auto Non-pay Cancellations.
 - There were no criticisms.
 - iv. Private Passenger Auto Non-renewals (renewed less than 5 years)
 - In two (2) files (2.33%% of the 86), the Company was in violation of 215 ILCS 5/143.19b for nonrenewing due to claims when nothing was paid on the claim(s) that was listed on the nonrenewal notice. (Crit 10)
 - v. Private Passenger Auto Nonrenewals (renewed 5 or more years)
 - There was one (1) nonrenewal in which the policy had been renewed five (5) or more years when the notice of nonrenewal was mailed to the insured. In this file (100% those examined), the Company was in violation of 215 ILCS 5/143.19.1. The Company nonrenewed for reasons other than allowed by this statute or failed to provide a 60 day notice. (Crit 7)
 - vi. Private Passenger Auto Rescissions
 - There were no criticisms.
 - vii. Producer Terminations
 - There were no producer terminations.

c. Underwriting

i. Private Passenger Auto New Business

- One hundred sixteen new business files were examined. During the review, the examiner verified the separate rating factors used to apply the company's Liability Age Factor and Auto Age Factor were not filed with the Illinois Department of Insurance. Additionally, no rules for applying either factor were present in the company's filed underwriting and rate manual. Therefore, the Company was in violation of 50 Ill. Adm. Code 754.10(a) and 754.10(b) in the 116 files (100%). (Crit. 11)
- In one (1) file (0.86% of the 116 examined), the Company failed to follow its rules which were filed for applying the rates, classifications and other schedules, resulting in a Miscellaneous Rating Error. The error produced an undercharge of \$112.00. The Company was in violation of 50 Ill. Adm. Code 754.10(a) and 754.10(b). (Crit 13)

ii. Private Passenger Auto Renewals

- In eight (8) files (6.90% of the 116), the Company failed to follow its rules filed with the Illinois Department of Insurance for applying the rates, classifications and other schedules, resulting in Miscellaneous Rating Errors. The Company was in violation of 50 Ill. Adm. Code 754.10(a) and 754.10(b) which resulted in overcharges totaling \$78.00. Reimbursements have been made to the insureds. (Crit 16)

d. Producer Licensing

i. Commissions Paid

- There were no criticisms.

ii. New Business Submitted

- There were no criticisms.

e. Claims

i. Private Passenger Auto First Party Paid

- The median payment period was 34 days.
- In eight (8) claim files (13.33% of 60 files reviewed) the Company failed to provide a reasonable written explanation for the delay, as required in the delay letter under 50 Ill. Adm. Code 919.40 (Crit 44)
 - The Company have taken steps to clarify the reason for delay.
- In six (6) files (7.32% of the 82 examined) the Company was in violation of 50 Ill. Adm. Code 919.80(d)(3). The Company reduced the payment for the insured vehicle by taking off the amount of the advance charge deductions for towing/storage. The Company made three (3) reimbursements totaling \$398.00. (Crit 43)
- In one (1) files (1.22% of the 82 examined) the Company was in violation of 50 Ill. Adm. Code 919.30(c) for failure to have detailed documentation in the claim file. (Crit 45)

- In one (1) of the 82 files examined (1.22%), there was a written complaint in the file from the policyholder. The Company was in violation of 50 Ill. Adm. Code 926.50 for failing to maintain a record of this complaint and in violation of 215 ILCS 5/143d(b) for not providing a written response to that written complaint. (Crit 47)
- ii. Private Passenger Auto First Party Closed Without Payment
- In eleven (11) claim files (20.75% of 53 files reviewed) the Company failed to provide a reasonable written explanation for the delay, as required in the delay letter under 50 Ill. Adm. Code 919.40 (Crit 36)
 - The Company has taken steps to clarify the reason for delay.
- iii. Private Passenger Auto Third Party Property Damage Liability Paid

One hundred five files were used to compute the median. The median payment period was 35 days.

- In 6 (six) files (5.71% of the 105 examined), the Company was in violation of 215 ILCS 5/154.6(c). The Company failed to adopt and implement standards to promptly investigate and to promptly settle and resolve the claim. (Crit 78)
 - In 1 (one) files (0.95% of the 105 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to offer payment or make the payment within 30 days when documentation needed was present.
(Crit 77)
- iv. Private Passenger Auto Third Party Property Damage Closed Without Payment
- In one (1) files (0.93% of the 107 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to offer payment or make the payment within 30 days when documentation needed was present. (Crit 84)
- v. Private Passenger Auto Total Losses-First Party
- In nine (9) claim files (16.36% of 55 files reviewed) the Company failed to provide a reasonable written explanation for the delay, as required in the delay letter under 50 Ill. Adm. Code 919.40 (Crit 61)
 - The Company have taken steps to clarify the reason for delay.
 - In seven (7) files (12.28% of the 57 examined) the Company was in violation of 50 Ill. Adm. Code 919.80(c) for not providing the insured with Exhibit A or not providing Exhibit A within seven (7) days of the insured vehicle being determined a total loss. (Crit 62)
 - In seven (7) files (12.28% of the 57 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 did nothing to cause excessive towing or storage costs. (Crit 64)

vi. Private Passenger Auto Subrogation

- In two (2) files (11.76% of the 17 examined), the Company failed to pay the insured their pro-rata share of the deductible as required by and as outlined in 215 ILCS 5/143b. (Crit 24 and 30)
 - The Company made payments totaling \$875.00.

United Equitable Insurance Company

a. Complaints

i. Department of Insurance Complaints

- In three (3) files (1.63% of the 184 examined), the Company was in violation of 50 Ill. Adm. Code 926.40(a). The Company failed to respond to the complaint in a timely manner. (Crit 34)

ii. Consumer Complaints

- There were no criticisms.

b. Risk Selection

i. Private Passenger Auto Company Initiated Cancellations (1st 60 days)

- There were no criticisms.

ii. Private Passenger Auto Company Initiated Cancellations (midterms)

- In eight (8) files (9.52% of the 86), the Company was in violation of 215 ILCS 5/143.19. There are only certain reasons that a company may midterm cancel a policy and the reason(s) in the 46 files were not one (1) of those reasons. (Crit 21)
- In nine (9) files (10.71% of the 84), the Company failed to provide a specific explanation of the reason or reasons for cancellation on the notice mailed to the insured. (Crit 22)

iii. Private Passenger Auto Nonpay Cancellations.

- There were no criticisms.

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

- In six (6) files (5.31% of the 113), the Company was in violation of 215 ILCS 5/143.19b for nonrenewing due to claims when nothing was paid on the claim(s) that was listed on the nonrenewal notice. (Crit 23)

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

- In three (3) files (100% those examined), the Company was in violation of 215 ILCS 5/143.19.1. The Company nonrenewed for reasons other than allowed by this statute or failed to provide a 60-day notice. (Crit 15)

vi. Private Passenger Auto Rescissions

- In one (1) files (1.16% of the 86, the Company was in violation of 215 ILCS 5/154 and/or 50 Ill. Adm. Code 941.10 for rescinding the policy when there was no evidence of misrepresentation or fraud. (Crit 20)

vii. Producer Terminations

- There were no producer terminations.

c. Underwriting

i. Private Passenger Auto New Business

- One hundred sixteen new business files were examined. During the review, the examiner verified the separate rating factors used to apply the company's Liability Age Factor and Auto Age Factor were not filed with the Illinois Department of Insurance. Additionally, no rules for applying either factor were present in the company's filed underwriting and rate manual. Therefore, the Company was in violation of 50 Ill. Adm. Code 754.10(a) and 754.10(b) in the 116 files (100%). (Crit. 12)
- In one (1) file (0.86% of the 116 examined), the Company failed to follow its rules which were filed for applying the rates, classifications and other schedules, resulting in a Miscellaneous Rating Error. The error produced an overcharge of \$18.00 with reimbursement made. The Company was in violation of 50 Ill. Adm. Code 754.10(a) and 754.10(b). (Crit 14)

ii. Private Passenger Auto Renewals

- In 51 files (43.97% of the 116), the Company failed to follow its rules filed with the Illinois Department of Insurance for applying the rates, classifications and other schedules, resulting in Miscellaneous Rating Errors. The Company was in violation of 50 Ill. Adm. Code 754.10(a) and 754.10(b) which resulted in overcharges totaling \$481.00 and undercharges totaling \$236.00. Reimbursements have been made to the insureds. (Crit 19)

d. Producer Licensing

i. Commissions Paid

- There were no criticisms.

ii. New Business Submitted

- There were no criticisms.

e. Claims

i. Private Passenger Auto First Party Median and Paid

- One hundred nine files were used in computing the median. The median payment period was 31 days.
- In two (2) files (8.70% of the 23 files requiring Exhibit A) the Company was in violation of 50 Ill. Adm. Code 919.80(c). Exhibit A was not provided the insured as required. (Crit 67)
- In one (1) files (0.93% of the 107 examined) the Company was in violation of 215 ILCS 5/154.6(d) for failure to effectuate a prompt, fair and equitable settlement of the claim. (Crit 60)
- In three (3) files (2.80% of the 107 examined) the Company was in violation of 50 IAC 919.50(a) for failure to make payment timely within 30 days. (Crit 57)
- In one (1) file (0.93% of the 107 examined), the Company was in violation of 215 ILCS 5/154.6(c). The Company failed to adopt and implement standards to promptly investigate and to promptly settle and resolve the claim. (Crit 59)

ii. Private Passenger Auto First Party Closed Without Payment

- In ten (10) claim files (12.35% of 81 files reviewed) the Company failed to provide a reasonable written explanation for the delay, as required in the delay letter under 50 Ill. Adm. Code 919.40 (Crit 55)
 - a. The Company have taken steps to clarify the reason for delay.
- In one (1) files (1.59% of the 63 files requiring a denial letter) the Company was in violation of 50 Ill. Adm. Code 919.50(a)(1). The Notice of Availability of the Department of Insurance was not provided in three (3) denials and in one (1) file there was no written explanation of the denial in the file. (Crit 49)

iii. Private Passenger Auto Third-Party Property Damage Median and Paid.

- One hundred five files were used to compute the median. The median payment period was 40 days.

- In two (2) claim files (5.13% of 39 files reviewed) the Company failed to provide a reasonable written explanation for the delay, as required in the delay letter under 50 Ill. Adm. Code 919.40 (Crit 97)
- In one (1) files (0.93% of the 105 examined), the Company was in violation of 215 ILCS 5/154.6(c). The Company failed to adopt and implement standards to promptly investigate and to promptly settle and resolve the claim. (Crit 93)

iv. Private Passenger Auto Third-Party Property Damage Closed Without Payment

- In five (5) files (4.67% of the 107 examined), the Company was in violation of 215 ILCS 5/154.6(b) for failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies. (Crit 100)
- In one (1) files (0.93% of the 107 examined), the Company was in violation of 215 ILCS 5/154.6(c). The Company failed to adopt and implement standards to promptly investigate and to promptly settle and resolve the claim. (Crit 105)
- In two (2) files (1.87% of the 107 examined), the Company was in violation of 215 ILCS 5/154.6(d) for failing to effectuate a prompt, fair and equitable settlement of the claim. (Crit 104)
- In one (1) files (0.93% of the 107 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to offer payment or make the payment within 30 days. (Crit 102)
- In two (2) files (1.87% of the 107 examined), the Company was in violation of 50 Ill. Adm. Code 919.30(c) for failure to have detailed documentation in the claim file. (Crit 99)

v. Private Passenger Auto Total Losses-First Party

- In five (5) claim files (5.32% of 94 files reviewed) the Company failed to provide a reasonable written explanation for the delay, as required in the delay letter under 50 Ill. Adm. Code 919.40 (Crit 81)
 - The Company have taken steps to clarify the reason for delay.
- In two (2) files (1.90% of the 105 examined) the Company was in violation of 50 Ill. Adm. Code 919.80(c) for not providing the insured with Exhibit A or not providing Exhibit A within seven (7) days of the insured vehicle being determined a total loss. (Crit 70)

vi. Private Passenger Auto Subrogation

- In twelve (12) files (15.58% of the 77 examined), the Company failed to pay the insured their correct pro-rata share of the deductible as required by and as outlined in 215 ILCS 5/143b. There was one (1) overpayment of \$500.00. (Crit 29)
 - The Company made 11 payments totaling \$2413.82.
- In seven (7) files (9.09% of the 77 examined), the Company was in violation of 215 ILCS 5/154.6(d) for failing to make a fair and equitable deductible return to the insured. The Company took off attorney fees twice. (Crit 28)
- In five (5) files (6.49% of the 77 examined), the Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to make the deductible reimbursement payment to the insured in a timely manner (within 30 days). (Crit 27)
- In one (1) file (1.30% of the 77 examined), the Company was in violation of 215 ILCS 5/154.6(a) for misrepresenting to the insured that the insured could not accept the deductible reimbursement directly from the 3rd party. (Crit 26)

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**AMERICAN HEARTLAND INSURANCE COMPANY
UNITED EQUITABLE INSURANCE COMPANY
9040 WAUKEGAN ROAD
MORTON GROVE, IL 60053**

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 American Heartland Insurance Company (“the Company”), NAIC 10031, and United Equitable Insurance Company (“the Company”), NAIC 24910, are authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the 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 November 27, 2017 through April 30, 2019, 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.

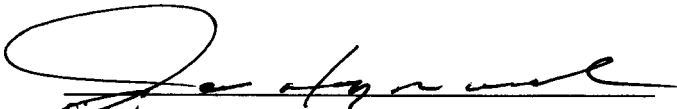
THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall not exercise its right of non-renewal for reasons other than allowed by this statute. 215 ILCS 5/143.19.1
2. Institute and maintain policies and procedures whereby the Company will use the rules, rates or rating plans, classifications or other schedules filed with the Illinois Department of Insurance when rating and issuing auto policies as required by 50 Ill. Adm. Code 754.10(a) and (b).
3. Institute and maintain policies and procedures whereby the Company shall provide a written response to written inquiries and complaints within 21 days of receipt. 215 ILCS 5/143d(b)
4. Institute and maintain policies and procedures whereby the Company shall provide the insured a specific reason for on a delay letter when the physical damage auto claim remains unresolved 40 days from the date of report. 50 IL Adm. Code 919.80(b)(2)
5. Institute and maintain policies and procedures whereby the Company shall not reduce the payment for the insured vehicle by subtracting the amount of the advance charge deductions for reasonable towing/storage. 50 IAC 919.80(d)(3)
6. 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 declaring the vehicle a total loss. 50 IL Adm. Code 919.80(c)
7. Institute and maintain policies and procedures whereby the Company shall mail cancellation notices at least 30 days prior to the effective date of cancellation. If cancellation is for nonpayment of premium, the notice of cancellation must be mailed at least 10 days before the effective date. 215 ILCS 5/143.15
8. Institute and maintain policies and procedures whereby the Company shall attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear and all conditions of the policy have been met. 215 ILCS 5/154.6(d)

9. Institute and maintain policies and procedures whereby the Company shall return insured deductible or correct pro rata share out of the net recovery on the subrogated claim. 215 ILCS 5/143b
10. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above nine (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 \$70,000.00 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 AMERICAN HEARTLAND INSURANCE COMPANY and UNITED EQUITABLE INSURANCE COMPANY

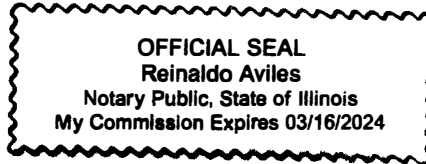

Signature

John P. Heywood
Name

President / CEO
Title

Subscribed and sworn to before me this
19th day of February 2021.


Notary Public



DEPARTMENT OF INSURANCE of the State of Illinois:

DATE _____

Dana Popish Severinghaus
Dana Popish Severinghaus
Acting Director

