



Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Director

VIA ELECTRONIC MAIL

June 16, 2022

Mr. Mario Greco, Chief Executive Officer
c/o Jeff Nagel
Zurich American Insurance Company
1299 Zurich Way
Schaumburg, IL. 60196

**Re: Zurich American Insurance Company, NAIC 16535
American Zurich Insurance Company, NAIC 40142
Zurich American Insurance Company of Illinois, NAIC 27855
*Market Conduct Examination Report Closing Letter***

Dear Mr. Greco:

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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Springfield, IL 62767
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**ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION**

OF

**Zurich American Insurance Company, NAIC 16535
American Zurich Insurance Company, NAIC 40142
Zurich American Insurance Company of Illinois, NAIC 27855**

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 2, 2021 – January 18, 2022

EXAMINATION OF: Zurich American Insurance Company, NAIC 16535
American Zurich Insurance Company, NAIC 40142
Zurich American Insurance Company of Illinois, NAIC 27855

LOCATION: 1299 Zurich Way
Schaumburg, IL. 60196

PERIOD COVERED: July 1, 2020, to June 30, 2021, and January 1, 2020, to June 30, 2021, for complaints

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

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I. FOREWORD

This is a market conduct examination report of Zurich American Insurance Company, American Zurich Insurance Company and Zurich American Insurance Company of Illinois (the “Companies”). 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 Companies. 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 Companies 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 Companies' operations are consistent with the public interest for workers compensation. The primary period covered by this review is July 1, 2020, to June 30, 2021, and January 1, 2020, to June 30, 2021, for complaints, unless otherwise noted. Errors outside of this time 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 Companies' workers compensation line of business.

In performing this examination, the examiners reviewed a sample of the Companies' 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 the practices and procedures of the Companies. 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 represent general findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS					
Criticism #	Statute/Rule	Description of Violation	Sample	# Of Violations	Error %
1	215 ILCS 5/143.14(a)	Failed to maintain a proof of mailing for cancellations.	2	1	50%
2	215 ILCS 5/143.17a	Company failed to send a Notice of Nonrenewal	63	44	70%

IV. BACKGROUND

Zurich American Insurance Company and American Zurich Insurance Company are wholly owned subsidiaries of Zurich American Insurance Company of Illinois, which is an indirect subsidiary of Zurich Insurance Group Ltd, a Swiss holding company.

Zurich American Insurance Company of Illinois was incorporated under the laws of the state of Illinois on October 11, 1973, and began business on November 19, 1973, as a multiple line property and casualty company.

The Companies provide property/casualty insurance in the US and Canada and offer products for businesses of all sizes, including general liability, workers compensation, commercial auto, umbrella, and inland marine policies. The Companies also provide risk consulting and claims management services.

V. METHODOLOGY

The market conduct examination covered business for the period of July 1, 2020, to June 30, 2021, and January 1, 2020, to June 30, 2021, 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 Companies resulted in the failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Companies 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 Companies provide all files relating to workers compensation complaints received via the Department and those received directly from consumers.

Producer Licensing

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

Marketing and Sales

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

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 the Companies' 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, and for any possible discrimination. *The Companies 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
CLAIMS ANALYSIS		
Paid Claims	108	2.9%
Denied Claims	76	67.8%
Claims Closed without Payment	106	7%
COMPLAINTS		
Consumer Complaints	0	NA
Department of Insurance Complaints	2	100%
UNDERWRITING AND RATING		
New Business	93	21.8%
Renewal Business	108	4.6%
Non-Renewal Business	5	100%
Rating (New Business & Renewal Business)	50	1.8%
Cancelations	76	59.8%

VII. FINDINGS

- a. Complaints
 - i. Consumer and Department of Insurance Complaints
 - 1. There were 2 files reviewed
 - 2. No issues were noted within the documents provided.
- b. Producer Licensing
 - 1. There were 199 files reviewed.
 - 2. No issues were noted within the documents provided.
- c. Marketing and Sales
 - 1. The company provided pre-approved marketing materials.
 - 2. No issues were noted with the materials provided.
- d. Underwriting and Rating
 - i. New Business – Voluntary
 - 1. There were 93 files reviewed
 - 2. No issues were noted with the documents provided.
 - ii. Renewals – Voluntary and Involuntary
 - 1. There were 108 files reviewed.
 - 2. No issues were noted with the documents provided.
 - iii. Nonrenewal – Voluntary
 - 1. There were five files reviewed.
 - 2. Crit #2 - In 44 out of 63 files reviewed, for an error rate of 70.0%, the Companies failed to send a Notice of Nonrenewal. The procedure adopted by the Companies is to contact the agent to replace the unwanted business and allow the policy to end rather than send a Notice of Nonrenewal. If a Notice of Nonrenewal is not sent 60 days prior to expiration a renewal policy is required to be issued and can be subsequently cancelled if the agent was able to replace. This procedure also accounts for the low number of policy cancellations available for review under Crit #1. This procedure is in violation of 215 ILCS 5/143.17a.
 - iv. Rating – Voluntary (New Business & Renewals)
 - 1. There were 50 files reviewed.
 - 2. No issues were noted with the documents provided.
 - v. Canceled – Voluntary (Policyholder Initiated)
 - 1. There were 74 files reviewed.
 - 2. No issues were noted with the documents provided.
 - vi. Canceled – Voluntary (Company Initiated)
 - 1. There were two files reviewed.
 - 2. Crit #1 - In one out of two cancellation files reviewed, for an error ratio of 50%, the Companies did not provide a proof of mailing notice as required by 215 ILCS 5/143.14(a).
- e. Claims
 - i. Paid Claims – Voluntary and Involuntary
 - 1. There were 108 files reviewed.
 - 2. No issues were noted with the documents provided.

- ii. Closed Claims – Voluntary and Involuntary
 - 1. There were 76 files reviewed.
 - 2. No issues were noted with the documents provided.
- iii. Claims Closed Without Payment – Voluntary and Involuntary
 - 1. There were 106 files reviewed.
 - 2. No issues were noted with the documents provided.

EXAMINATION DRAFT REPORT SUBMISSION

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

Karina Ruthenberg
Lisa Crump
Bradley Shoop
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:

ZURICH AMERICAN INSURANCE COMPANY
1299 ZURICH WAY
SCHAUMBURG, IL. 60196

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, Zurich American Insurance Company, NAIC 16535, American Zurich Insurance Company, NAIC 40142, and Zurich American Insurance Company of Illinois (“the Company”), NAIC 27855, 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 January 1, 2020 to June 30, 2021, 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 maintain a proof of mailing for cancellations. 215 ILCS 5/143.14(a)
2. Institute and maintain policies and procedures whereby the Company shall issue a Notice of Nonrenewal or proof of mailing. 215 ILCS 5/143.17a
3. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above two (2) orders within thirty (30) days of execution of this Order.
4. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$20,500.00 to be paid within ten (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 ZURICH AMERICAN INSURANCE COMPANY, AMERICAN ZURICH INSURANCE COMPANY, and ZURICH AMERICAN INSURANCE COMPANY OF ILLINOIS

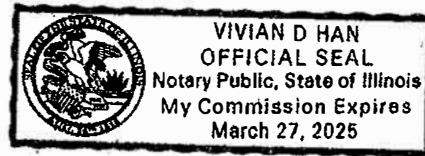
Mauro Garcia II
Signature

Mauro Garcia II
Name

VP, Technical Director - Work comp
Title

Subscribed and sworn to before me this
18th day of May 2022.

Vivian D. Han
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

Dana Popish-Severinghaus

Dana Popish-Severinghaus
Director

DATE _____

