

DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

<i>In Re:</i>)	
)	
FIRST CHICAGO INSURANCE)	Market Conduct Examination No. 361334
COMPANY (NAIC #13587))	

ORDER OF THE DIRECTOR

NOW, on this 31st day of AUGUST, 2022, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of First Chicago Insurance Company (NAIC #13587) (hereinafter "FCIC"), examination report number #361334, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), relating to the market conduct examination #361334, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

IT IS THEREFORE ORDERED that FCIC and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016.

IT IS FURTHER ORDERED that FCIC shall not engage in any of the violations of statutes and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that FCIC shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$8,000.00 payable to the Missouri State School Fund in connection with the examination.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 31st day of AUGUST, 2022.



Chlora Lindley-Myers

Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
FIRST CHICAGO INSURANCE) **Market Conduct Examination No. 361334**
COMPANY (NAIC #13587))

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “Division”) and First Chicago Insurance Company (NAIC #13587) (hereinafter “FCIC”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, the Department issued FCIC a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of FCIC, examination #361334;

WHEREAS, based on the market conduct examination of FCIC, the Division alleges that:

1. FCIC failed to disclose prior to the sale of the policy the material fact that under certain circumstances the deductible will be increased 500% in violation of §§375.144(2)¹, 375.936(6)(a) and 375.934.2.

2. In one instance, FCIC failed to send a non-renewal notice to the insured prior to non-renewing the policy in violation of §379.118.

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016.

3. In one instance, FCIC failed to timely send a non-renewal notice to the insured prior to non-renewing the policy in violation of §379.118.

4. In one instance, FCIC failed to send a non-renewal notice to the insured's last known address in violation of §379.118.

5. In 22 instances, FCIC sent non-renewal notices to its insureds that failed to state the applicant might be eligible for insurance through the assigned risk plan if other insurance is not available in violation of §379.118.1(4).

6. In four instances, FCIC sent non-renewal notices to its insureds that failed to provide a sufficiently clear and specific reason for the non-renewal in violation of §379.118.1(3).

7. In one instance, FCIC sent a cancellation notice to its insured that failed to provide a sufficiently clear and specific reason for the cancellation in violation of §379.118.1(3).

8. FCIC unfairly discriminated among insureds by failing to apply a policy provision requiring a 500% surcharge on the deductible in a consistent manner and in accordance with its form and rate filing in violation of §379.470(1).

9. In one instance, FCIC failed to complete an investigation of the claim within 30 days after notification of the claim and failed to open or acknowledge the claim until 45 days after receiving notification of the claim in violation of 20 CSR 100-1.030(1)(A) and 20 CSR 100-1.050(4), and implicating the provisions of §§375.1007(2) and 375.1007(3).

10. In one instance, FCIC issued payment to the lienholder, but failed to issue the remainder of the settlement amount to the insured implicating the provisions of §375.1007(8).

11. In 40 instances, FCIC used a third-party vendor to determine the actual cash value of the loss vehicle for total loss claims. FCIC failed to make a fair and equitable settlement of the total loss claims by making reduction adjustments in the valuation of total loss vehicles without

providing and documenting the justifications for the adjustments in violation of §§374.205.2(2), 375.1005(2), and 375.1007(4) and 20 CSR 100-1.050(2)(E) and 20 CSR 100-8.040(3)(B).

12. In one instance, FCIC failed to apply a 500% surcharge of the deductible for a single vehicle loss that occurred less than 30 days of the policy reinstatement after lapse in coverage contrary to the policy provision implicating the provisions of §§375.1007(1) and 375.1007(3).

13. In three instances, FCIC handled hit and run claims inconsistently implicating the provisions of §§375.1007(1), 375.1007(3) and 375.1007(4).

14. In one instance, FCIC failed to apply a 500% surcharge of the deductible for a vandalism loss that occurred less than 30 days of the policy inception contrary to the policy provision, implicating the provisions of §§375.1007(1) and 375.1007(3).

15. In one instance, FCIC assessed a second deductible for a subsequent loss without documenting the actual amount of damage or opening a second claim in violation of §§375.1005(2), 375.1007(4), 374.205.2(2), and 20 CSR 100-8.040(3)(B).

16. In two instances, FCIC failed to apply a 500% surcharge of the deductible for a theft loss and a single vehicle loss, both occurring within less than 30 days of the policy inception contrary to the policy provision in violation of §§375.1005(2), 375.1007(1) and 375.1007(3).

17. In three instances, FCIC failed to follow its own policy provisions regarding mitigation of storage fees and failed to effectuate a fair and equitable settlement of the claims by incorrectly deducting storage fees, towing and administrative fees from the insureds' settlements in violation of §§375.1005(2), 375.1007(1), 375.1007(3), 375.1007(4), and 375.1007(8).

18. In 10 instances, FCIC failed to include all of the loss vehicle's options in the calculation of the total loss valuation in violation of §§375.1005(2) and 375.1007(4).

19. In 43 instances, FCIC used a third-party vendor to determine the actual cash value of the loss vehicle for total loss claims, which included applying formulas for mileage adjustments that were variable and adjusting the loss vehicle value by taking duplicative deductions for year of vehicle, mileage and equipment and by taking a weighted average of the adjusted values of the comparable vehicles, resulting in an unfair and unequitable settlement of the claims in violation of §§375.1005(2), 375.1007(3), and 375.1007(4).

20. In one instance, FCIC failed to provide and maintain a denial letter to the insured including the specific policy provision, condition, or exclusion used as the basis for the denial in violation of 20 CSR 100-1.050(1)(A) and implicating the provisions of §§375.1007(7) and 375.1007(12).

WHEREAS, the Division and FCIC have agreed to resolve the issues raised in the market conduct examination #361334 as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** FCIC agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in the market conduct examination #361334 and in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. FCIC agrees to amend its declaration page, Missouri application, and policy form FCMOMV01020418 for the Loss Settlement Under Coverage E & F provision to fully disclose to

Missouri consumers about the application of the 500% deductible surcharge pursuant to the Loss Settlement Under Coverage E & F provision of the policy.

2. If FCIC has assessed a 500% surcharge of the deductible against the loss settlement on a case by case basis contrary to the Loss Settlement Under Coverage E & F of the policy, FCIC agrees to amend its policy form FCMOMV01020418 for the Loss Settlement Under Coverage E & F provision to coincide with how FCIC is applying the 500% surcharge. FCIC shall submit said filing through the System for Electronic Rate and Form Filing (hereinafter "SERFF") within 30 days from the date of the Order approving this Stipulation. The SERFF filing will include a statement indicating that "as a result of a Missouri market conduct examination, the attached amendment is being filed with the Department."

3. FCIC agrees that if it proposes to cancel or to refuse to renew a policy of automobile insurance delivered or issued for delivery in this state it will send notice to the insured pursuant to §379.118.

4. FCIC agrees to complete claim investigations within 30 calendar days when it can reasonably do so as required by 20 CSR 100-1.050(4). FCIC further agrees to acknowledge claims after receiving notification of the claim in accordance with 20 CSR 100-1.030(1)(A).

5. FCIC agrees that for total loss valuations, it will implement a procedure to ensure that all of the loss vehicle's attributes are included in the total loss valuation for the total loss vehicle.

6. FCIC agrees that in determining a fair and equitable settlement for any private passenger automobile total loss claim received, FCIC shall use a comparable motor vehicle that is of the same make and model.

7. FCIC agrees that when a motor vehicle total loss is valuated, the determination of the actual cash value of the total loss vehicle must be supported by documentation maintained in the claim file. FCIC agrees that the documentation shall be in sufficient detail and clear enough for the adjuster to explain the adjustments and to show how each of the adjustments was calculated for the comparable vehicles to the insured and to the Department if necessary. FCIC further agrees that any adjustment in the value shall be itemized, measureable, verifiable, and appropriate in amount pursuant to 20 CSR 100-1.050(2)(E). The basis for any adjustment in settlement shall be explained to the claimant in writing, and a copy of the explanation shall be maintained in FCIC's claim file.

8. FCIC agrees that it will review all private passenger automobile total loss claims received, processed, or paid from January 1, 2017 to the date of the Order approving this Stipulation to determine if condition adjustments, mileage adjustments, and weighted factors on comparable vehicles in total loss valuation reports are supported by documentation in the claim files as addressed in remedial action 7 and 20 CSR 100-1.050(2)(E). If the adjustment or reduction is not supported in the file, FCIC agrees to refund the total loss claimant the amount that was deducted for any condition adjustments, mileage adjustment, and weighted factors. FCIC shall include a letter with the payment stating that "as a result of a Missouri market conduct examination, it was determined that the policyholder was entitled to an additional payment on their claim."

9. FCIC agrees to issue a bulletin to its third party vendors advising them that for total loss valuations all reductions made to comparable vehicle(s) must be properly documented, itemized, and information verified as detailed in remedial action 7 and 20 CSR 100-1.050(2)(E).

10. For a period of a year after the date of the Order approving this Stipulation, FCIC agrees to conduct quarterly audits of total loss claims to review and determine whether the total

loss valuations contain the details as outlined in remedial action 7 and 20 CSR 100-1.050(2)(E). FCIC agrees to pull a credible random sample of all total loss claims received during the quarter and review for compliance with remedial action 7 and 20 CSR 100-1.050(2)(E). If the compliance with remedial action 7 and 20 CSR 100-1.050(2)(E) was not met, FCIC agrees to address the errors with the total loss vendor and claims team as appropriate and FCIC agrees to remediate the loss with the claimant, if such remediation is warranted. FCIC further agrees to provide quarterly reports to the Division of all total loss claims reviewed within 45 days of the end of the quarter. The reports shall be provided in a manner acceptable to the Division. After the fourth audit, FCIC agrees that as part of its practice it will continue to perform periodic and consistent audits of its total loss claims to ensure its total loss valuations files continue to contain the specific details as outlined in remedial action 7 and 20 CSR 100-1.050(2)(E). FCIC agrees to continue to address any errors with the total valuation vendor.

11. FCIC agrees to handle and process all hit and run accident claims consistently. If FCIC is unable to verify that the accident was a hit and run, FCIC agrees to consider the claim as a single vehicle accident under collision coverage according to policy provisions.

12. FCIC agrees to develop and implement claim guidelines in its claims manual for the handling of storage fees when an insured vehicle is disabled or not drivable as a result of an accident. FCIC agrees that the guidelines should follow the policy provisions, which state, "In the event of a loss and subsequent loss settlement under Coverage E or F, we are authorized to make appropriate deductions from the loss settlement amount for excessive storage fees where the insured fails to notify the company within 72 hours that the vehicle is in a storage facility incurring fees; or the insured fails to permit the company to move the vehicle to a facility that will not charge storage fees such as in one of our preferred storage facilities." FCIC agrees to offer to move the

vehicle to its preferred storage facility while the claim is being adjudicated as indicated by the policy.

13. If FCIC has not already done so, FCIC agrees to implement procedures for non-renewal notices to ensure the insured is informed of the assigned risk plan, and that the reason for non-renewal is specific and not general in nature.

14. FCIC agrees to provide written denial letters to insureds as required by 20 CSR 100-1.050(1)(A).

C. **Compliance.** FCIC agrees to file documentation with the Division pursuant to §374.205, in a format acceptable to the Division, within 120 days of the date of the Order approving this Stipulation of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation or to document the payment of restitution required by this Stipulation, except for the quarterly audits and reports as provided for in remedial action 10.

D. **Ongoing Examination.** FCIC agrees to pay any reasonable examination fees incurred by the Division in conducting its review of the documentation provided by FCIC pursuant to Paragraph C of this Stipulation.

E. **Voluntary Forfeiture.** FCIC agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$8,000, such sum payable to the Missouri State School Fund, in accordance with §§374.049.11 and 374.280.2.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by FCIC, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination.

G. **Waivers.** FCIC, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights to procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above-referenced market conduct examination.

H. **Amendments.** No amendments to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and FCIC.

I. **Governing Law.** This Stipulation shall be governed by and construed in accordance with the laws of the State of Missouri.

J. **Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Stipulation on behalf of the Division and FCIC, respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

L. **Effective Date of Stipulation.** This Stipulation shall become effective only upon entry of an Order by the Director of the Department (hereinafter “the Director”) approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: August 23, 2022

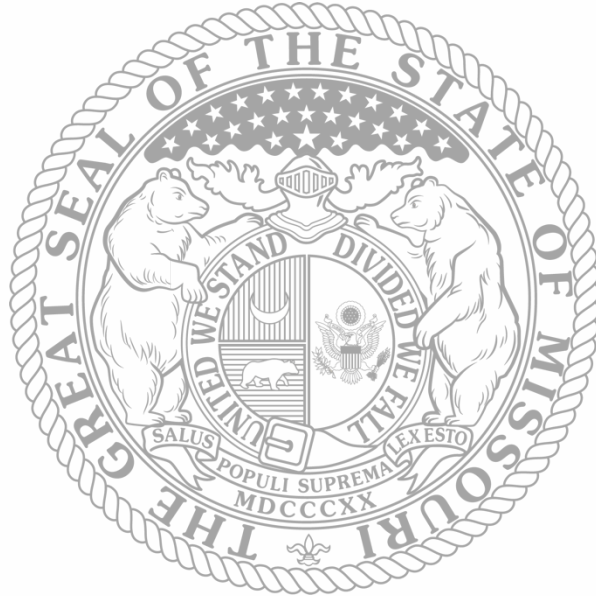


Teresa Kroll,
Chief Market Conduct Examiner
Division of Insurance Market Regulation

DATED: August 22, 2022



Michael Rosenstein
President
First Chicago Insurance Company



**FINAL MARKET CONDUCT EXAMINATION REPORT
Property and Casualty**

**First Chicago Insurance Company
NAIC # 4727-13587**

MISSOURI SBS EXAMINATION # 361334

NAIC MATS #MO-HICKSS1-143

July 21, 2022

**Home Office
6640 South Cicero Avenue
Bedford Park, IL 60638**

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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July 21, 2022

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified lines of business and business practices of

First Chicago Insurance Company (NAIC #4727-13587)

hereinafter referred to as FCIC or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

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

When used in this report:

- “Company” or “FCIC” refers to the First Chicago Insurance Company
- “CSR” refers to the Missouri Code of State Regulations
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo., conducted in accordance with §374.205.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2017 through December 31, 2019, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following lines of business and business functions: Private Passenger Automobile Insurance - Operations Management, Marketing, Policyholder Service, Underwriting and Rating, and Claims.

The examination was conducted in accordance with the standards in the NAIC's 2020 *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the NAIC's 2020 *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized for reviews not requiring the general business practice standard.

In performing this examination, the examiners reviewed only a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

First Chicago Insurance Company ("FCIC") is a property and casualty ("P&C") insurance company licensed in 13 states. The company was first incorporated in 1920 as Chicago Ice Producers Mutual Liability Company, then changed its name in 1961 under Chicago Mutual Company.

From 1997 to 2006, the company operated under the title Chicago Mutual Insurance Company, then finally renamed in 2006 to First Chicago Insurance Company. FCIC is a wholly owned subsidiary of Warrior Invictus Holding Company, Inc. FCIC specializes in writing personal and commercial automobile policies. The company relies on two primary networks to generate premium volume; 1) taxi and limousine services and workers compensation business is generated by two independent insurance agencies, and 2) the non-taxi business is produced predominantly by an affiliated general agency (First Chicago Insurance Agency). FCIC offers the coverage for non-standard auto, standard and preferred auto, business auto for small businesses, commercial auto insuring taxis and limousines, workers' compensation for taxi and livery drivers, and artisan general liability. The company's primary specialization is on taxi, livery and non-standard auto, and FCIC has a strong presence in the taxi cab market in Chicago, insuring over 40 percent of the available market.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of First Chicago Insurance Company. The examiners found the following areas of concern:

MARKETING AND SALES

- The Company failed to disclose a material fact to consumers prior to the purchase of insurance. Reference: §§375.144(2), 375.934, and 375.936(6)(a), RSMo.

UNDERWRITING AND RATING

- In 25 files, the Company failed to send a timely and/or compliant notice of non-renewal. Reference: §379.118, RSMo.
- In one file, the Company failed to send a compliant notice of cancellation. Reference: §379.118, RSMo.
- The Company failed to consistently apply policy provisions according to its form and rate filings. Reference: § 379.470(1), RSMo.

CLAIMS

- In one claim, the Company failed to timely open and investigate the claim. Reference: §§375.1007(2) and 375.1007(3), RSMo., and 20 CSR 100-1.030(1)(A) and 20 CSR 100-1.050(4).
- In one claim, the Company failed to resolve the claim in a timely manner. Reference: §375.1007(8), RSMo.
- In 48 claims, the Company failed to handle claims in accordance with policy provisions and applicable statutes, rules and regulations. Reference: §§375.1007(1), 375.1007(3), 375.1007(4), RSMo.
- In one file, the Company failed to handle the denial of the claim in accordance with state law. Reference: §§375.1007(7), 375.1007(12), RSMo., and 20 CSR 100-1.050(1)(A).

EXAMINATION FINDINGS

I. OPERATIONS/MANAGEMENT

The operations/management portion of the examination provides a review of what the Company is and how it operates.

A. NAIC Market Regulation Handbook Chapter 20 – Operations/Management Standard 7: Records are adequate, accessible, consistent and orderly and comply with state record retention requirements.

To test for this standard, the examiners requested and reviewed a census of 108 non-renewed policy files and a random sample of 116 canceled policy files to determine if compliance of state record retention requirements were met.

Non-Renewed Policies

Field Size	108
Sample Size	108
Type of Sample	Census
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

Cancelled Policies

Field Size	19,607
Sample Size	116
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

B. NAIC Market Regulation Handbook Chapter 20 – Operations/Management Standard 11: The regulated entity has developed and implemented written policies, standards and procedures for the management of insurance information.

To test for this standard, the examiners requested and reviewed the Company’s policy and procedures manual, training material, and record retention policy to determine if the Company has written standards and if the standards comply with Missouri law.

No areas of concern were noted.

II. MARKETING AND SALES

The marketing and sales portion of the examination evaluates the representations made by the Company about its product(s) or services. This may include reviews of all advertising and sales material and all producer sales training materials to determine compliance with Missouri statutes and regulations.

A. NAIC Market Regulation Handbook Chapter 20 – Marketing and Sales Standard 1: All advertising and sales materials are in compliance with applicable statutes, rules, and regulations.

To test for this standard, the examiners requested and reviewed a listing of all advertisements, marketing materials provided to its producers, and producer training materials used during the scope of the examination, as well as a random sample of policy files.

Field Size	400
Sample Size	84
Type of Sample	Random
Number of Errors	84
Error Ratio	100.00%

The examiners found the following error in this review.

Finding 1: The Company failed to provide disclosures to the consumer and failed to advise its producers to disclose to the consumer the increased deductible provision, prior to the sale of the policy, a material fact that was essential to the purchase of the policy.

Reference: §§375.144(2), 375.934 and 375.936(6)(a), RSMo.

III. POLICYHOLDER SERVICE

The policyholder service portion of the examination reviews the Company's compliance with Missouri statutes and regulations regarding notice/billing, delays/no response, and premium refund and coverage questions.

A. NAIC Market Regulation Handbook Chapter 20 - Policyholder Service Standard 3: All correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department.

To test for this standard, examiners requested and reviewed the non-renewed policy files from the underwriting and rating data provided by the Company to determine if non-renewals were processed timely and in accordance with applicable statutes, rules and regulations.

Field Size	108
Sample Size	108
Type of Sample	Census
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

IV. UNDERWRITING AND RATING

The underwriting and rating portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding underwriting and rating practices such as the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage.

A. NAIC Market Regulation Handbook Chapter 21 Underwriting and Rating Standard 16: Cancellation/nonrenewal notices comply with policy provisions and state laws, including the amount of advance notice provided to the insured and other parties to the contract.

To test for this standard, the examiners requested and reviewed a census of 108 non-renewed policy files and a random sample of 116 cancelled policy files from the data supplied by the Company to determine if non-renewal and cancellation notices were in accordance with applicable statutes, rules and regulations.

Non-Renewed Policies

Field Size	108
Sample Size	108
Type of Sample	Census
Number of Errors	25
Error Ratio	23.15%

The examiners found the following errors in this review.

Finding 1: In one file, the Company non-renewed the policy, but failed to send a non-renewal notice to the insured, as required.

Reference: §379.118, RSMo.

Finding 2: In one file, the Company non-renewed the policy and sent a notice of non-renewal, but the notice was not timely.

Reference: §379.118, RSMo.

Finding 3: In one file, the Company sent a timely non-renewal notice, however, the notice was not mailed to the insured's last known address.

Reference: §379.118, RSMo.

Finding 4: In 22 files, the Company sent non-renewal notices to its insureds that failed to state the applicant may be eligible for insurance through the assigned risk plan if other insurance is not available.

Reference: §379.118.1(4), RSMo.

Finding 5: In four files, the Company sent non-renewal notices to its insureds that provided a reason for the non-renewal that was not sufficiently clear and specific enough to identify the basis for the insurer's decision without further inquiry.

Reference: §379.118.1(3), RSMo.

Cancelled Policies

Field Size	19,607
Sample Size	116
Type of Sample	Random
Number of Errors	1
Error Ratio	0.86%

The examiners found the following error in this review.

Finding 1: In one file, the Company sent a cancellation notice to its insured that provided a reason for the cancellation that was not sufficiently clear and specific enough to identify the basis for the insurer’s decision without further inquiry.

Reference: §379.118.1(3), RSMo.

B. NAIC Market Regulation Handbook Chapter 21 Underwriting and Rating Standard 10: The regulated entity’s underwriting practices are not unfairly discriminatory. The regulated entity adheres to applicable statutes, rules, and regulations and the entity’s guidelines in the selection of risks.

To test for this standard, the examiners requested and reviewed a random sample of 84 policy files from the data supplied by the Company to determine if the Company’s underwriting and rating practices are not unfairly discriminatory and are in accordance with applicable statutes, rules and regulations.

The examiners found the following error in this review.

Finding 1: The Company failed to apply a provision in the policy that required a 500% surcharge on the deductible for certain types of losses in a consistent manner and in accordance with its form and rate filing. As a result, some insureds were afforded more coverage than others for the same rate.

Reference: § 379.470(1), RSMo.

V. CLAIMS

The claims portion of the examination provides a review of the Company’s compliance with Missouri statutes and regulations regarding claims handling practices such as the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

A. NAIC Market Regulation Handbook Chapter 20 Claims Standard 2: Timely investigations are conducted.

To test for this standard, the examiners requested and reviewed a random sample of 82 paid claims, 76 denied/closed without payment claims, 84 claims with dates of loss within 30 days of policy inception, and 43 total loss claims to determine if investigations were timely.

1. Paid Claims

Field Size	430
Sample Size	82
Type of Sample	Random
Number of Errors	1
Error Ratio	1.21%

The examiners found the following error in this review.

Finding 1: In one claim, the Company failed to complete an investigation within thirty days after notification of the claim. The claim was not opened or acknowledged until 45 days after receiving notification of the claim.

Reference: §§375.1007(2) and 375.1007(3), RSMo., and 20 CSR 100-1.030(1)(A) and 20 CSR 100-1.050(4).

2. Denied/Closed Without Payment Claims

Field Size	367
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

3. Claims with Dates of Loss within 30 days of Policy Inception

Field Size	400
Sample Size	84
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

4. Total Loss Claims

Field Size	43
Sample Size	43
Type of Sample	Census
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

B. NAIC Market Regulation Handbook Chapter 20 Claims Standard 3: Claims are resolved in a timely manner.

To test for this standard, the examiners requested and reviewed a random sample of 82 paid claims, 76 denied/closed without payment claims, 84 claims with dates of loss within 30 days of policy inception, and 43 total loss claims to determine if claims were resolved in a timely manner.

1. Paid Claims

Field Size	430
Sample Size	82
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

2. Denied/Closed Without Payment Claims

Field Size	367
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

3. Claims with Dates of Loss within 30 days of Policy Inception

Field Size	400
Sample Size	84
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

4. Total Loss Claims

Field Size	43
Sample Size	43
Type of Sample	Census
Number of Errors	1
Error Ratio	2.32%

The examiners found the following error in this review.

Finding 1: In one claim, the Company issued payment to the lienholder, but failed to issue the remainder of the settlement amount to the insured.

Reference: §375.1007(8), RSMo.

C. NAIC Market Regulation Handbook Chapter 20 Claims Standard 5: Claims files are adequately documented.

To test for this standard, the examiners requested and reviewed a random sample of 82 paid claims, 76 denied/closed without payment claims, 84 claims with dates of loss within 30 days of policy inception, and 43 total loss claims to determine if claims are adequately documented.

1. Paid Claims

Field Size	430
Sample Size	82
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concerns were noted.

2. Denied/Closed Without Payment Claims

Field Size	367
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

3. Claims with Dates of Loss within 30 Days of Policy Inception

Field Size	400
Sample Size	84
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

4. Total Loss Claims

Field Size	43
Sample Size	43
Type of Sample	Census
Number of Errors	40
Error Ratio	93.02%

The examiners found the following error in this review.

Finding 1: In 40 claims, the Company reduced total loss valuations with unsupported condition adjustments on comparable vehicles. The claim files were not documented to show how the Company arrived at the amount of the adjustment.

Reference: §§374.205.2(2) and 375.1007(4), RSMo., and 20 CSR 100-1.050(2)(E) and 20 CSR 100-8.040(3)(B)

D. NAIC Market Regulation Handbook Chapter 20 Claims Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations.

To test for this standard, the examiners requested and reviewed a random sample of 82 paid claims, 76 denied/closed without payment claims, 84 claims with dates of loss within 30 days of policy inception, and 43 total loss claims to determine if the Company properly and consistently handled claims according to policy provisions and applicable statutes, rules and regulations.

1. Paid Claims

Field Size	430
Sample Size	82
Type of Sample	Random
Number of Errors	4
Error Ratio	4.87%

The examiners found the following errors in this review.

Finding 1: In one file, the Company failed to handle the claim according to policy provisions by not applying a 500% surcharge of the deductible for a single vehicle loss, which occurred less than 30 days of a policy reinstatement after a lapse in coverage.

Reference: §§375.1007(1) and (3), RSMo.

Finding 2: In three files, the Company failed to handle hit and run accident claims consistently.

Reference: §§375.1007(1), (3), and (4), RSMo.

2. Denied/Closed Without Payment Claims

Field Size	367
Sample Size	76
Type of Sample	Random
Number of Errors	0
Error Ratio	0.00%

No areas of concern were noted.

3. Claims Occurring Within 30 Days of Policy Inception

Field Size	400
Sample Size	84
Type of Sample	Random
Number of Errors	1
Error Ratio	1.19%

The examiners found the following error in this review.

Finding 1: In one file, the Company failed to handle the claim according to policy provisions by not applying a 500% surcharge of the deductible for a vandalism loss, which occurred less than 30 days of policy inception.

Reference: §§375.1007(1) and (3), RSMo.

4. Total Loss Claims

Field Size	43
Sample Size	43
Type of Sample	Census
Number of Errors	43
Error Ratio	100.00%

Files with more than one error were only counted once in the calculation of the number of errors and error ratio.

The examiners found the following errors in this review.

Finding 1: In one file, while the claim was being processed, the Company assessed a second deductible for a subsequent loss without documenting the actual amount of damage or opening a second claim. The file does not show what additional damages were incurred as a result of the second accident.

Reference: §374.205.2(2) and 375.1007(4), RSMo., and 20 CSR 100-8.040(3)(B)

Finding 2: In two files, the Company failed to handle the claim according to policy provisions by not applying a 500% surcharge of the deductible for a theft loss and a single vehicle loss, both occurring within 30 days of policy inception.

Reference: §§375.1007(1) and (3), RSMo.

Finding 3: In three files, the Company failed to follow its own policy provisions to act timely to mitigate storage fees, and incorrectly deducted from the insured's settlement storage fees, towing, and administrative fees.

Reference: §§375.1007(1), (3), (4), and (8), RSMo.

Finding 4: In 10 files, the Company failed to include all of the loss vehicle's options in the total loss valuation. In some instances, the options were included for the comparable vehicles in the valuation but not for the loss vehicle when the loss vehicle had the same options.

Reference: §375.1007(4), RSMo.

Finding 5: In 43 files, the Company did not effectuate fair and equitable settlement of claims submitted by applying formulas for mileage adjustments that were variable and by applying a duplicate adjustment to the loss vehicle's value by calculating a weighted average of the comparable vehicles' value based on the same reasons used in calculating the adjusted comparable vehicles' value. The rate per mile was inconsistent between comparable vehicles in a single claim and between the claim files, including vehicles with similar mileage and the comparable vehicles were already adjusted for options, mileage, year, model and condition. The rate per mile was inconsistent between comparable vehicles in a single claim and between the claim files, including vehicles with similar mileage.

Reference: §§375.1007(3) and (4), RSMo.

E. NAIC Market Regulation Handbook Chapter 20 Claims Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law.

To test for this standard, the examiners requested and reviewed a random sample of 76 closed without payment claim files from the data supplied by the Company to determine if denied claims were handled in accordance with policy provision and state law.

Field Size	367
Sample Size	76
Type of Sample	Random
Number of Errors	1
Error Ratio	1.31%

The examiners found the following error in this review.

Finding 1: In one file, the Company failed to provide a denial in writing to the insured including the specific policy provision, condition, or exclusion used as the basis for the denial and failed to maintain a copy in the claim file.

Reference: §§375.1007(7), 375.1007(12), RSMo., and 20 CSR 100-1.050(1)(A)

VI. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	51	96.23%
Over 10 days with extension	2	3.77%
Over 10 days without extension or after extension due date	0	0.00%
Totals	53	100.00%

No areas of concern were noted.

B. Formal Request Time Study


Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	11	61.11%
Over 10 days with extension	7	38.89%
Over 10 days without extension or after extension due date	0	0.00%
Totals	18	100.00%

No areas of concern were noted.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of First Chicago Insurance Company (NAIC #13587), Examination Number 361334, MATS #MO-HICKSS1-143. This examination was conducted by Examiner-In-Charge, Julie Hesser, CIE, CPCU, MCM, Jon Meyer, CIE, and Dana Whaley, AIE. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated October 13, 2021. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

07/21/2022
Date



Teresa Kroll
Chief Market Conduct Examiner