

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



ASSURANCE COMPANY OF AMERICA  
ONE LIBERTY PLAZA  
165 BROADWAY - 32<sup>ND</sup> FLOOR  
NEW YORK, NY 10006

MARKET CONDUCT EXAMINATION WARRANT

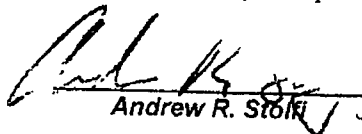
I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Roger Henschen and associates as the proper persons to examine the insurance business and affairs of Assurance Company of America, NAIC #19305, and to make a full and true report to me of the examination made by them of Assurance Company of America, with a full statement of the condition and operation of the business and affairs Assurance Company of America with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Assurance Company of America.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 28<sup>th</sup> day of November, 2011.

  
Andrew R. Stolki

Acting Director

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



MARYLAND CASUALTY COMPANY  
600 RED BROOK BLVD  
OWINGS MILLS, MD 21777

### MARKET CONDUCT EXAMINATION WARRANT

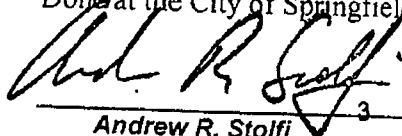
I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Roger Henschen and associates as the proper persons to examine the insurance business and affairs of Maryland Casualty Company, NAIC #19356, and to make a full and true report to me of the examination made by them of Maryland Casualty Company, with a full statement of the condition and operation of the business and affairs Maryland Casualty Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Maryland Casualty Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 28<sup>th</sup> day of November, 2011.



Andrew R. Stolfi

Acting Director

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



NORTHERN INSURANCE COMPANY OF NEW YORK  
ONE LIBERTY PLAZA  
165 BROADWAY - 25<sup>TH</sup> FLOOR  
NEW YORK, NY 10006

### MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Roger Henschen and associates as the proper persons to examine the insurance business and affairs of Northern Insurance Company of New York, NAIC #19372, and to make a full and true report to me of the examination made by them of Northern Insurance Company of New York, with a full statement of the condition and operation of the business and affairs of Northern Insurance Company of New York with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Northern Insurance Company of New York.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 28<sup>th</sup> day of November, 2011.

Andrew R. Stolfi

Acting Director

STATE OF ILLINOIS        )  
                                  ) ss  
COUNTY OF COOK        )

Roger Henschen, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

Assurance Company of America, NAIC #19305  
Maryland Casualty Company, NAIC #19356  
Northern Insurance Company of New York, NAIC #19372

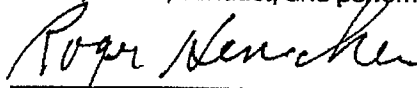
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies' business and affairs and the manner in which the Companies conduct their business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies' affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

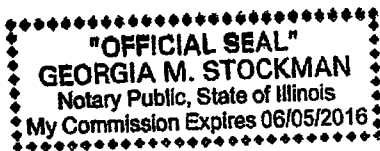
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Companies for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Companies.

  
\_\_\_\_\_  
Roger Henschen  
Examiner-In-Charge

Subscribed and sworn to before me  
this 29<sup>th</sup> day of November, 2012.

  
\_\_\_\_\_  
Notary Public



This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

James Rundblom  
Deputy General Counsel  
Illinois Department of Insurance

Assurance Company of America NAIC #19305  
Maryland Casualty Company NAIC #19356  
Northern Insurance Company of New York NAIC #19372

**MARKET CONDUCT EXAMINATION REPORT**

**DATE OF EXAMINATION:** May 14, 2012 through June 15, 2012

**EXAMINATION OF:** Assurance Company of America  
(P & C Foreign) NAIC #19305

Northern Insurance Company of New York  
(P & C Foreign) NAIC #19372

Maryland Casualty Company  
(P & C Foreign) NAIC #19356

**LOCATION OF EXAM:** 2245 Sequoia Dr.  
Aurora, Illinois 60506

**PERIOD COVERED BY EXAMINATION:** January 1, 2011 through December 31, 2011

**EXAMINERS:** Larry J. Nelson  
Roger O. Henschen,  
Examiner-in-Charge

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I. SUMMARY

1. The companies were criticized under 215 ILCS 141.01 for terminating professional liability policies on the grounds that the company's contract with the agent/producer was terminated. A Class Criticism is applicable for the error percentage.

**II. BACKGROUND**

The following companies were examined. All are members of the Zurich U.S. pool:

**ASSURANCE COMPANY OF AMERICA**

Assurance Company of America was incorporated in New York on June 20, 1945. Ownership of the company was transferred from Northern Insurance Company of New York to Northern's parent Maryland Casualty Company on July 31, 1972.

2011 State Page Exhibit - 019

	Direct premiums Written	Direct premiums earned	Direct losses incurred	Direct losses unpaid
05.2 Commercial multi peril - (liability portion)	345,829	333,718	-81,023	218,098

**MARYLAND CASUALTY COMPANY**

Business commenced on March 1, 1898. The company (and its subsidiaries) was purchased by American General Corporation, a Texas corporation, on November 20, 1964. On May 25, 1989 it was sold to the Zurich Holding Company of America, Inc. and Zurich Insurance Company, United States Branch (now Zurich American Insurance Company). In 1999, financial control was transferred from Zurich Holding Company of America, Inc. to Zurich American Insurance Company. As of the date of this report, Maryland Casualty's insurance subsidiaries are as follows: Assurance Company of America, and Northern Insurance Company of New York.

2011 NAIC Annual Statement  
State Page Exhibit - 019

	Direct premiums written	Direct premiums earned	Direct losses incurred	Direct losses unpaid
05.2 Commercial multi peril - (liability portion)	704,921	742,575	-10,895	744,250

**NORTHERN INSURANCE COMPANY OF NEW YORK**

The original Northern Insurance Company of New York was incorporated in New York on October 6, 1897. On December 6, 1926 the company merged with Eastern Insurance Company. It has been owned by Maryland Casualty Company since 1963.

2011 NAIC Annual Statement  
State Page Exhibit - 019

	Direct premiums written	Direct premiums earned	Direct losses incurred	Direct losses unpaid
05.2 Commercial multi peril - (liability portion)	10,517	17,204	-62,803	116,616

### III. METHODOLOGY

The Market Conduct examination places emphasis on evaluating an insurer's systems and procedures in dealing with insureds and claimants.

The following categories are the general areas examined:

1. Risk Selection
2. Underwriting
3. Claims
4. Complaints

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories, interviews with company personnel, analysis of policy forms and endorsements, and verification of computer rating accuracy. Each of these categories is examined for compliance with Departmental Rules and Regulations and applicable state law.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual files criticized are identified and communicated to the insurer but not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples to assure methodical selection.

#### Risk Selection

Cancellations and nonrenewals were requested on the basis of the effective date of the cancellation or nonrenewal falling within the period under examination. They were reviewed for compliance with statutory requirements, the accuracy and validity of reasons given, and for any possible discrimination.

#### Underwriting

New files were selected based on the inception date falling within the period under examination. Renewals were selected based on renewal date falling within the period under examination. New policies and renewals were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with company underwriting guidelines and to insure that the coverage provided was as requested.

### Claims

Claims were requested based on the settlement occurring within the period under examination. All claims were reviewed for compliance with policy provisions and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Department Rule Part 919 (50 Ill. Adm. Code 919).

### Complaints

Complaints requested were those received in calendar year 2011.

#### Selection of Samples

##### A. Risk Selection

			Total Files	# Reviewed	% Reviewed
1	Professional Liability Cancellations		25	25	100%
2	Professional Liability Non-renewals		2	2	100%
3	Liquor Liability Cancellations		0	0	N/A
4	Liquor Liability Nonrenewals		0	0	N/A

##### B. Underwriting

		Total Files	# Reviewed	% Reviewed
1	Liquor Liability New Business	16	16	100%
2	Prof. Liab. Renewals	106	80	75.47%
3	Liquor Liability Renewals	12	12	100%

##### C. Claims

		Total files	# files reviewed	% files reviewed
1	Prof. Liab. Paid	1	1	100%
2	Prof. Liab. closed w/o payment	2	2	100%
3	Liquor Liab. Paid	0	0	N/A
4	Liquor Liab. closed w/o payment	0	0	N/A

##### D. Complaints

		Total files	# files reviewed	% files reviewed
1	Department Complaints	0	0	N/A
2	Consumer Complaints	0	0	N/A

#### IV. FINDINGS

##### A. Risk Selection

###### 1. Professional Liability Cancellations

There were no criticisms

###### 2. Professional Liability Nonrenewals

There were two (2) Professional Liability nonrenewals. In both notices (100%), the reason for the nonrenewal was "Agency no longer represents [X]." This is a violation of 215 ILCS 5/141.01.

"No company authorized to do business in Illinois shall cancel, terminate or refuse to renew any policy on the ground that the company's contract with the agent through whom such policy was obtained has been terminated."

A Class Criticism is applicable due to the error percentage - two non-renewals in sample; two violations.

###### 3. Liquor Liability Cancellations

There were no Liquor Liability cancellations.

###### 4. Liquor Liability Nonrenewals

There were no Liquor Liability nonrenewals.

##### B. Underwriting

###### 1. Liquor Liability

The examiner rated new business as well as renewals. There were no criticisms.

###### 2. Professional Liability Renewals

There were no criticisms.

###### 3. Liquor Liability Renewals

There were no criticisms

**C. Claims**

**1. Professional Liability Paid**

There were no criticisms.

**2. Professional Liability Closed Without Payment**

There were no criticisms

**3. Liquor Liability Paid**

There were no claims

**4. Liquor Liability Closed Without Payment**

There were no claims.

**D. Complaints**

**1. Department Complaints**

There were no Department complaints.

**2. Consumer Complaints**

There were no Consumer complaints.

**V. INTERRELATED and/or ADDITIONAL FINDINGS**

None.

**VI. TECHNICAL APPENDICES**

None.

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Assurance Company of America NAIC #19305  
Maryland Casualty Company NAIC #19356

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (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, Assurance Company of America NAIC #19305 and Maryland Casualty Company NAIC #19356, (the "Companies") are authorized under the insurance laws of the State of Illinois and by the Director as foreign insurance companies, to engage in the business of soliciting, selling and issuing insurance policies; and

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

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited two instances in which the Companies had not complied with Section 141.01 of the Illinois Insurance Code (215 ILCS 5/141.01); and

WHEREAS, nothing herein contained, nor any action taken 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 Companies; and

WHEREAS, the Companies are aware of and understand 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 Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Companies 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 Companies and the Director as follows:

1. That the Market Conduct Examination indicated two instances in which the Companies were not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Companies consent to this order requiring the Companies to take action to come into compliance with 215 ILCS 5/141.01.

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

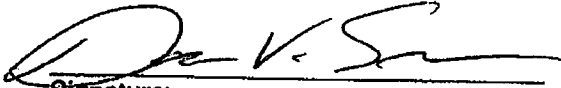
1. Institute and maintain procedures, consistent with the requirements of 215 ILCS 5/141.01, so that the Companies will not cancel, terminate or refuse to renew any policy on the ground that the Company's or Companies' contract with the agent through whom such policy was obtained has been terminated.
2. Submit to the Director of Insurance, proof of compliance with the above Order within 30 days of the execution of these Orders.
3. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of four thousand dollars (\$4,000) to be paid within thirty (30) days of receipt of these Orders.



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:

Assurance Company of America NAIC #19305  
Maryland Casualty Company NAIC #19356



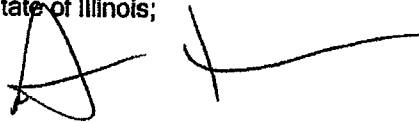
Signature:  
Name: DAMIAN SEPANIK  
Title: CHIEF COMPLIANCE OFFICER

Subscribed and sworn to before me this  
26<sup>th</sup> day of March, 2013.

  
Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois;



DATE 4-8-2013

Andrew Boron  
Director



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

April 8, 2013

Ms. Mary Stotler  
Director of Market Conduct  
Zurich  
600 Red Brook Boulevard  
Owings Mills, MD 21117

Re: ***Maryland Casualty Company, Assurance Company of America, and Northern Insurance Company of New York – Market Conduct Examination Report***

Dear Ms. Stotler,

This is to acknowledge that the Department has received a \$4,000 check in payment of the civil forfeiture set forth in Order # 3 and that it has also received proof of compliance with Order # 1 in the Stipulation and Consent Order. The proof of compliance has been reviewed and found to be satisfactory.

An original copy of the fully executed Stipulation and Consent Order is enclosed for your records. Accordingly, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Yours Truly,

James C. Rundblom  
Deputy General Counsel  
Illinois Department of Insurance  
320 W. Washington Street  
Springfield, IL 62767  
217-785-8559  
Jim.Rundblom@illinois.gov