



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

CINCINNATI INDEMNITY COMPANY
6200 SOUTH GILMORE ROAD
FAIRFIELD, OHIO 45014-5141

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Bernie Sullivan, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of Cincinnati Indemnity Company of Fairfield, Ohio, and to make a full and true report to me of the examination made by them of Cincinnati Indemnity Company with a full statement of the condition and operation of the business and affairs of Cincinnati Indemnity 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 persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Cincinnati Indemnity Company.



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.
Done at the City of Springfield, this 19th day of May, 2010.

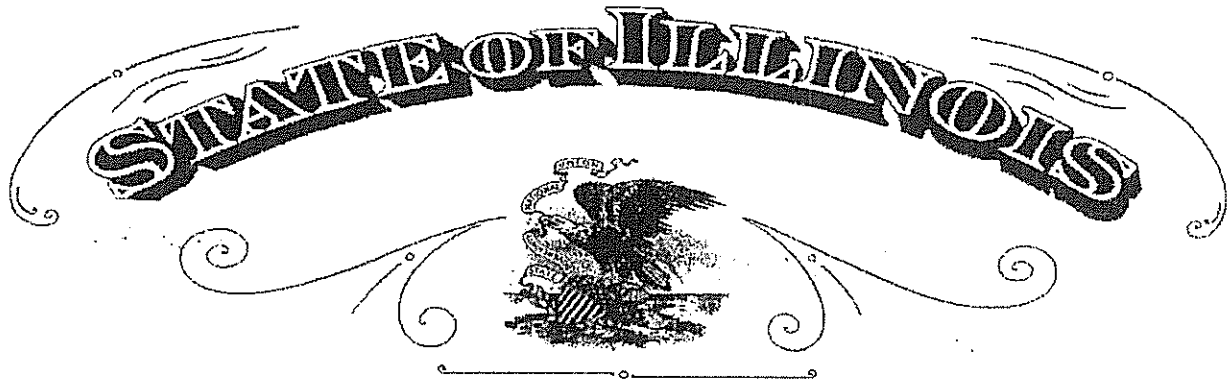
Michael T. McRaith
Michael T. McRaith

Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Mark Welch, VP, at the hour of 10:30 Am
on July 12, A.D., 2010.

Bernard Sullivan
Examiner



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

THE CINCINNATI CASUALTY COMPANY
6200 SOUTH GILMORE ROAD
FAIRFIELD, OHIO 45014-5141

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Bernie Sullivan, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of The Cincinnati Casualty Company of Fairfield, Ohio, and to make a full and true report to me of the examination made by them of The Cincinnati Casualty Company with a full statement of the condition and operation of the business and affairs of The Cincinnati 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 persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of The Cincinnati Casualty Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 19th day of May, 2010

Michael T. McRaith

Michael T. McRaith

Director



STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Mark Welsh, VP, at the hour of 10:30 Am
on 7/12/, A.D., 2010.

Bernard Sullivan
Examiner



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

THE CINCINNATI INSURANCE COMPANY
6200 SOUTH GILMORE ROAD
FAIRFIELD, OHIO 45014-5141

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Bernie Sullivan, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of The Cincinnati Insurance Company of Fairfield, Ohio, and to make a full and true report to me of the examination made by them of The Cincinnati Insurance Company with a full statement of the condition and operation of the business and affairs of The Cincinnati Insurance 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 persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of The Cincinnati Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this *19th* day of *May*, 2010

Michael T. McRaith

Michael T. McRaith

Director



STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Mark Welsh, VP, at the hour of 10:30 Am
on July 12, A.D., 2010.

Bernard Sullivan
Examiner

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 J. Morris
Assistant Deputy Director
Market Conduct and Analysis Section

Cincinnati Insurance Company

Cincinnati Casualty Company

Cincinnati Indemnity Company

MARKET CONDUCT RE-EXAMINATION REPORT

DATE OF RE-EXAMINATION: July 12, 2010 through September 3, 2010

EXAMINATION OF: Cincinnati Insurance Company
(P & C Foreign)
Cincinnati Casualty Company
(P & C Foreign)
Cincinnati Indemnity Company
(P & C Foreign)

LOCATION: 6200 South Gilmore Road
Fairfield, OH 45014

PERIOD COVERED BY
RE-EXAMINATION: April 1, 2009 through March 31, 2010

EXAMINERS: Bernie Sullivan Jr. LUTCF
Examiner-in-Charge

INDEX

	<u>Page #</u>
I. COMPLIANCE	1-2
II. SUMMARY	3
III. BACKGROUND	4
IV. METHODOLOGY	5-6
V. FINDINGS	7-10
A. Risk Selection	
1. Commercial Nonrenewals	
B. Claims	
1. First Party Paid & Median Claims	
2. First Party Closed without Payment	
3. Third Party Paid & Median Claims	
4. Third Party Closed without Payment	
5. Total Loss Paid Claims	
6. Homeowner Paid & Median Claims	
7. Homeowner Closed without Payment	
8. Residential Fire Paid & Median Claims	
VI. TECHNICAL APPENDICES	11-14

I. COMPLIANCE

The Companies were previously the subject of a Market Conduct Examination completed August 3, 2007, covering the period April 1, 2006 through March 31, 2007.

Based upon the findings of that examination eight (8) Orders were issued.

ORDER #1: Institute and maintain procedures whereby the private passenger automobile policyholders are provided a specific explanation of the reason or reasons for cancellation and provided a 30 day advanced notice as required by Section 143.15 of the Illinois Insurance Code. (See ILCS 5/143.15)

The Companies had no cancellations during the experience period.

ORDER #2: Institute and maintain procedures whereby commercial policyholders are provided a specific explanation of the reason or reasons for nonrenewal on the notice, if sent, and either offered renewal or sent a renewal notice as required by Section 143.17a of the Illinois Insurance Code. (See 215 ILCS 5/143.17a)

The Companies are complying with this Order.

ORDER #3: Institute and maintain procedures whereby commercial policyholders whose policy is being nonrenewed are provided loss runs as mandated by Section 143.10a of the Illinois Insurance Code. (See 215 ILCS 5/143.10a)

The Companies are complying with this Order.

ORDER #4: Institute and maintain procedures whereby policyholders who have experienced a total loss are provided the information contained in Exhibit A and provided the information within seven (7) days of the vehicle being determined a total loss as outlined in Section 919.80(c) of the Illinois Administrative Code. (See 50 Ill Adm. Code 919.80(c))

The Companies are not substantially complying with this Order.

ORDER #5: Institute and maintain procedures whereby all total loss insured's are treated equally when paying tax, title and transfer fees as required by Section 154.6r of the Illinois Insurance Code. (See 215 ILCS 5/154.6(r))

The Companies are substantially complying with this Order.

ORDER #6: Institute and maintain procedures whereby residential fire claims contain detailed documentation in the claim file in order to permit reconstruction of the Companies' activities relative to the claim as required in Section 919.30c of the Illinois Administrative Code. (See 50 Ill. Adm. Code 919.30c)

The Companies are complying with this Order.

ORDER #7: Institute and maintain procedures whereby private passenger automobile policyholders are informed, prior to the first renewal, of the availability of higher collision and comprehensive deductibles and that premium savings could result if higher deductibles were purchased as mandated in Section 143.25a of the Illinois Insurance Code. (See 215 ILCS 5/143.25a)

The Companies are complying with this Order.

ORDER #8: Institute and maintain procedures whereby automobile policyholder and third party claimants as well as property policyholders are provided delay letters as outlined in Sections 919.80(b)(2), 919.80(b)(3), and 919.80(d)(7)(B) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 919.80(b)(2), (919.80(b)(3), and 919.80(d)(7)(B))

The Companies are not substantially complying with this Order.

II. SUMMARY

1. The Companies were criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide the insured's with a reasonable written explanation of delay when the claim remained unresolved for more than 40 days from the date of report to the date of final payment or rendering of the repaired vehicle.

General trend criticisms were issued in the first party paid, first party closed without payment and total loss surveys since this is a violation of Order #8 of the Stipulation and Consent Orders issued by the Director of Insurance, on November 6, 2007.

2. The Companies were criticized under 50 Ill. Adm. Code 919.30(c) for failing to include documentation in the claim file to allow reconstruction of the activities of the companies as relates to the claim as required.

A general trend criticism was issued in the first party paid survey.

3. The Companies were criticized under 215 ILCS 5/154.6r for failing to pay the tax, title and transfer fees at the time of settlement which is the Companies' policy as demonstrated by the total loss claim files and treating all of the insured's in an equal manner resulting in an underpayment of \$881.56. A refund was issued to the insured by the Company during the examination.
4. The Companies were criticized under 50 Ill. Adm. Code 919.80(c) for failing to provide the information contained in Exhibit A, to the insured's within seven (7) days of determination of the total loss.

A general trend criticism was issued in the total loss survey. This is also a violation of Order #4 of the Stipulation and Consent Order issued by the Director of Insurance, on November 6, 2007.

5. The Companies were criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide a reasonable written explanation for delay to the insured when the claim remained unresolved for more than 75 days from the date of report as required by the Illinois Administrative Code.

A general trend criticism was issued in the homeowner paid survey since 80.00% of the files requiring the explanation failed to provide one and since this is also a violation of Order #8 of the Stipulation and Consent Order issued by the Director of Insurance, State of Illinois on November 6, 2007.

III. BACKGROUND

Cincinnati Insurance Company

The Company was incorporated on August 2, 1950, under the laws of the state of Ohio and commenced operations on January 23, 1951. The Company obtained a license in the State of Illinois on January 1, 1970.

Cincinnati Casualty Company

The Company was incorporated on December 27, 1972, under the laws of the state of Ohio as Queen City Indemnity Company and commenced operations on March 31, 1975. The Company obtained a license in the State of Illinois on July 1, 1975.

Cincinnati Indemnity Company

The Company was incorporated on May 19, 1988, under the laws of the state of Ohio and commenced operations on January 1, 1989. The Company obtained a license in the State of Illinois on November 16, 1989.

IV. METHODOLOGY:

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

The following categories are the general areas examined:

1. Risk Selection
2. Claims

The review of these categories is accomplished through examination of individual claim files, written interrogatories and interviews with the Companies' personnel. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable state laws.

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

The following method was used to obtain the required samples and to assure a methodical selection. Surveys were developed from the Companies generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Claims were requested based on the settlement occurring 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 Part 919 (50 Ill. Adm. Code 919 *et seq.*)

Selection of Samples

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Risk Selection:			
Commercial Nonrenewals	116	116	100.00%
Claims:			
First Party Paid & Median	1003	100	9.97%
First Party Closed without Payment	172	61	35.46%
Third Party Paid & Median	1031	100	9.79%
Third Party Closed without Payment	114	114	100.00%
Total Losses	173	88	50.28%
Homeowner Paid & Median	1968	100	5.08%
Homeowner Closed without Payment	302	80	26.49%
Residential Fire Paid & Median	157	70	44.58%

V. FINDINGS:

A. Risk Selections:

1. Automobile Cancellations

There were no cancellations during the experience period.

2. Commercial Nonrenewals

Two (2) commercial nonrenewal (1.72% of the 116 files reviewed) failed to provide a 60 day advanced notice of nonrenewal (1 file) or failed to provide the insured with a specific reason for nonrenewal (1 file) as mandated by 215 ILCS 5/143.17(a).

B. Claims

1. First Party Paid & Median

The median payment period was 10 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	80	80.00%
31-60	14	14.00%
61-90	1	1.00%
91-180	4	4.00%
181-365	1	1.00%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	100	100.00%

Seven (7) first party paid claims (7.00% of the 100 files reviewed but 100.00% of the claims requiring the written explanation) failed to provide the insureds with a reasonable written explanation of delay when the claim remained unresolved for more than 40 days from the date of report to the date of final payment or rendering of the repaired vehicle as required by 50 Ill. Adm. Code 919.80(b)(2). A general trend criticism was issued since this is a violation of Order #8 of the Stipulation and Consent Orders issued by the Director of Insurance on November 6, 2007.

Eight (8) first party paid claims (8.00% of the 100 files reviewed) failed to include documentation in the claim file to allow reconstruction of the activities of the company as relates to the claim as required by 50 Ill. Adm. Code 919.30(c). A general trend criticism was issued.

2. First Party Closed without Payment

Three (3) first party closed without payment claims (4.91% of the 61 files reviewed but 100.00% of the claims requiring the written explanation) failed to provide the insured with a reasonable written explanation for delay when the claim remained unresolved for more than 40 days from the date of report to the date of final payment as required by 50 Ill. Adm. Code 919.80(b)(2). A general trend criticism was issued since this is a violation of Order #8 of the Stipulation and Consent Orders issued by the Director of Insurance on November 6, 2007.

3. Third Party Paid & Median

The median payment period was 14 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	75	75.00%
31-60	17	17.00%
61-90	1	1.00%
91-180	4	4.00%
181-365	3	3.00%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	100	100.00%

Three (3) third party paid claims (2.97% of the 100 files reviewed) failed to provide the claimant with a reasonable written explanation for delay when the claim remained unresolved in excess of 60 days from the date of report to the date of final payment as required by 50 Ill. Adm. Code 919.80(b)(3).

4. Third Party Closed without Payment

Four (4) third party closed without payment claims (3.50% of the 114 files reviewed) failed to provide the claimant with a reasonable written explanation for delay when the claim remained unresolved in excess of 60 days from the date of report to the date of final payment as required by 50 Ill. Adm. Code 919.80(b)(3).

5. Total Losses

One (1) total loss paid claim (1.14% of the 88 files reviewed) failed to pay the tax, title and transfer fees at the time of settlement which is the Companies' policy as demonstrated by the remaining 87 claim files resulting in an underpayment of \$881.56. The Companies have, therefore failed to treat the insured's in an equal manner as required by 215 ILCS 5/154.6r. A refund was processed during the examination.

Five (5) total loss paid claims (5.68% of the 88 files reviewed) failed to provide a reasonable written explanation of delay in payment to the insured, when the claim remained unresolved for more than 40 calendar days from the date of report to the date of final payment as required by 50 Ill. Adm. Code 919.80(b)(2). A general trend criticism was issued as this is also a violation of Order #8 of the Stipulation and Consent Order issued by the Director of Insurance on November 6, 2007.

Seventeen total loss paid claims (19.31% of the 88 files reviewed) either failed to provide the information contained in Exhibit A, to the insured's within seven (7) days of determination of the total loss (6 files) or failed to provide the information (11 files) as required by 50 Ill. Adm. Code 919.80(c). A general trend criticism was issued. This is also a violation of Order #4 of the Stipulation and Consent Order issued by the Director of Insurance on November 6, 2007.

6. Homeowner Paid & Median

The median payment period was 14 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	72	72.00%
31-60	16	16.00%
61-90	6	6.00%
91-180	5	5.00%
181-365	1	1.00%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	100	100.00%

Four (4) homeowner paid claims (4.00% of the 100 files reviewed) failed to provide a reasonable written explanation for delay to the insured when the claim remained unresolved for more than 75 days from the date of report as required by 50 Ill. Adm. Code 919.80(d)(7)(B). A general trend criticism was issued since 80.00% of the files failed to do so. This is also a violation of Order #8 of the Stipulation and Consent Order issued by the Director of Insurance on November 6, 2007.

7. Homeowner Closed without Payment

Two (2) homeowner closed without payment claim denials (2.50% of the 80 files reviewed) failed to contain the required wording for the availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1).

8. Residential Fire Paid & Median

The median payment period was 16 days distributed as follows:

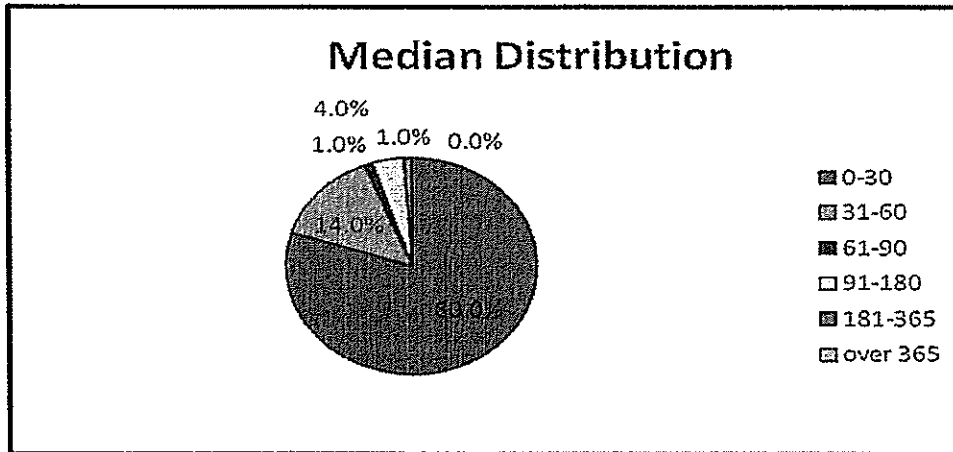
<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	48	68.57%
31-60	13	18.57%
61-90	6	8.57%
91-180	2	2.86%
181-365	1	1.43%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	70	100.00%

Two (2) residential fire paid claims (2.85% of the 70 files reviewed) failed to provide a reasonable written explanation for delay to the insured when the claim remained unresolved for more than 75 days from the date of report as required by 50 Ill. Adm. Code 919.80(d)(7)(B).

VI. TECHNICAL APPENDICES:

FIRST PARTY PAID & MEDIAN

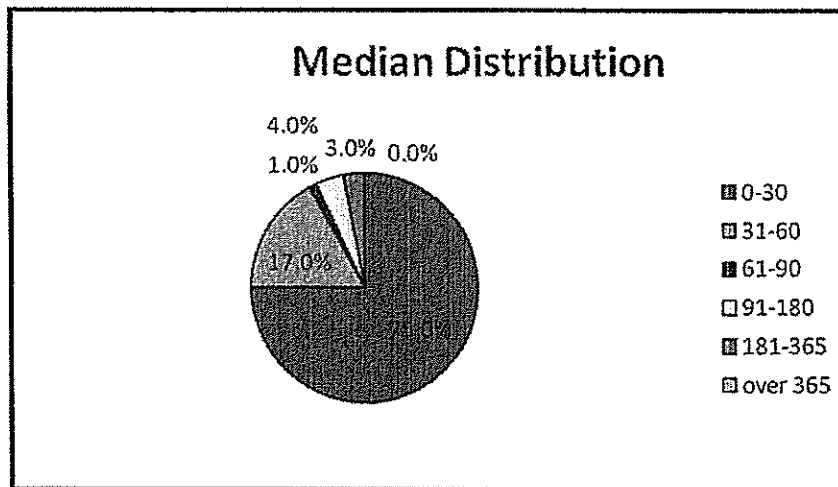
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	80	80.00%
31-60	14	14.00%
61-90	1	1.00%
91-180	4	4.00%
181-365	1	1.00%
over 365	0	0.00%
Total	100	100.00%



VI. TECHNICAL APPENDICES continued:

THIRD PARTY PAID & MEDIAN

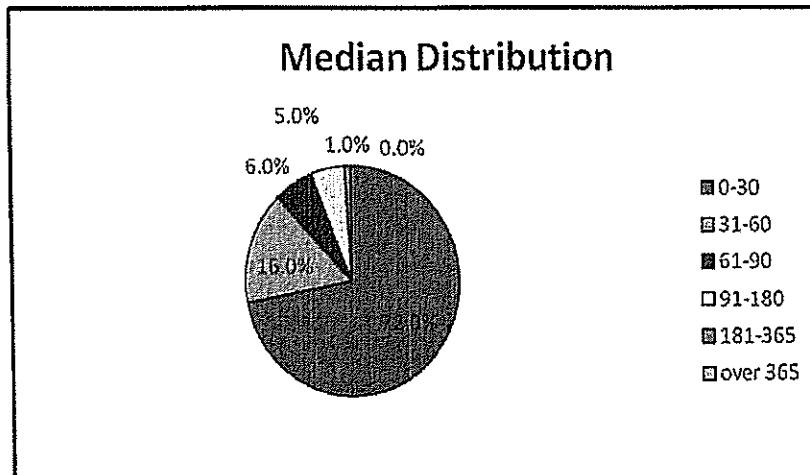
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	75	75.00%
31-60	17	17.00%
61-90	1	1.00%
91-180	4	4.00%
181-365	3	3.00%
over 365	0	0.00%
Total	100	100.00%



VI. TECHNICAL APPENDICES continued:

HOMEOWNER PAID & MEDIAN

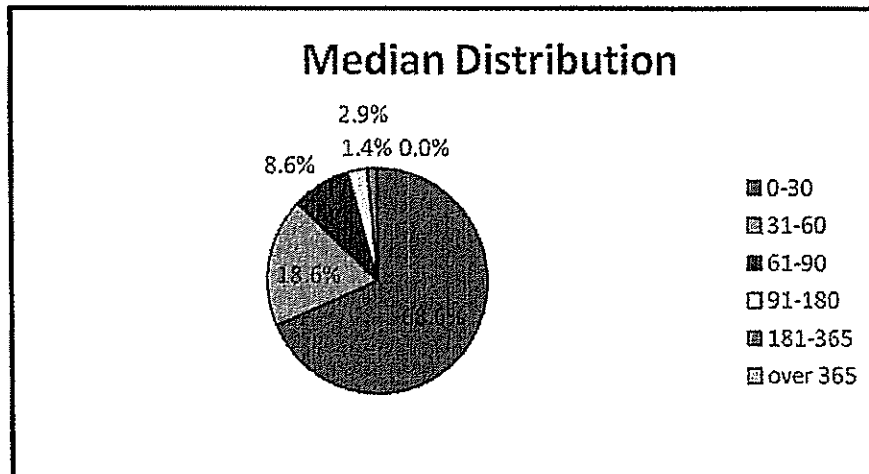
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	72	72.00%
31-60	16	16.00%
61-90	6	6.00%
91-180	5	5.00%
181-365	1	1.00%
over 365	0	0.00%
Total	100	100.00%



VI. TECHNICAL APPENDICES continued:

RESIDENTIAL FIRE PAID & MEDIAN

MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	48	68.57%
31-60	13	18.57%
61-90	6	8.57%
91-180	2	2.86%
181-365	1	1.43%
over 365	0	0.00%
Total	70	100.00%



STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Bernie Sullivan, 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:

Cincinnati Insurance Company, NAIC #10677
Cincinnati Casualty Company, NAIC #28665
Cincinnati Indemnity Company, NAIC #23280

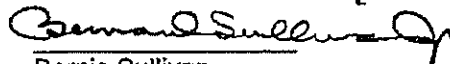
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to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

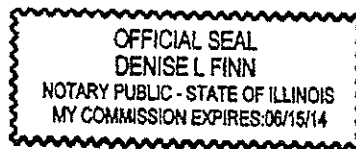
That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance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



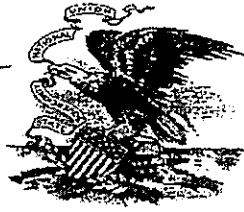
Bernie Sullivan
Examiner-In-Charge

Subscribed and sworn to before me
this 20 day of February, 2013.


Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Cincinnati Insurance Company
Cincinnati Casualty Company
Cincinnati Indemnity Company

6200 South Gilmore Road
Fairfield, OH 45014-5141

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, Cincinnati Insurance Company is authorized under the insurance laws of this State and by the Director as a P&C Foreign Stock insurance company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS Cincinnati Casualty Company is authorized under the insurance laws of this State and by the Director as a P&C Foreign Stock insurance company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, Cincinnati Indemnity Company is authorized under the insurance laws of this State and by the Director as a P&C Foreign Stock insurance company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS Cincinnati Insurance Company, Cincinnati Casualty Company and Cincinnati Indemnity Company are affiliates and are hereinafter collectively referred to as "the Companies", and

WHEREAS, a Market Conduct Examination of the Companies was conducted by duly qualified examiners appointed by the Director pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425); and

WHEREAS, the appointed 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 various areas in which the Companies were 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 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.

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 various areas 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 certain actions to come into compliance with provisions of the Illinois Insurance Code, and/or Department Regulations.

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

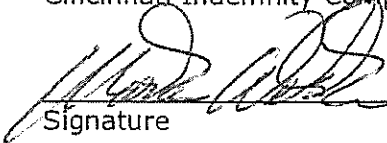
1. Institute and maintain procedures whereby automobile policyholder and third party automobile claimants as well as property policyholders are provided delay letters as outlined in 50 Ill. Adm. Codes 919.80(b)(2) and 919.80(d)(7)(B).
2. Institute and maintain procedures whereby automobile claims contain detailed documentation in the claim file in order to permit reconstruction of the Companies' activities relative to the claim as required in 50 Ill. Adm. Code 919.30(c).
3. Institute and maintain procedures whereby policyholders who have experienced a total loss are provided the information contained in Exhibit A and provided the information within seven (7) days of the vehicle being determined a total loss as outlined in 50 Ill. Adm. Code 919.80(c).
4. Submit to the Director of Insurance, proof of compliance with the above three (3) Orders within 30 days of receipt of these Orders.
5. Pay to the Director of Insurance, a civil forfeiture in the amount of \$25,000 to be paid within 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 Companies 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:

Cincinnati Insurance Company
Cincinnati Casualty Company
Cincinnati Indemnity Company

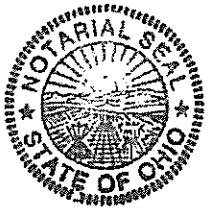

Signature

Mark Welsh
Name

Vice President
Title

Subscribed and sworn to before me this
21st day of March A.D. 2013.

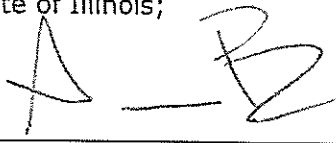

Notary Public



ANGELA M. KROGER
Notary Public, State of Ohio
My Commission Expires 09-05-15

DATE 4-18-2013

DEPARTMENT OF INSURANCE of the
State of Illinois;


Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

August 29, 2013

Mark A. Welsh
Vice President
Regulatory & Consumer Relations
P.O. Box 145496 •
Cincinnati, Ohio 45250-5496

Re: Market Conduct Examination
Stipulation and Consent Order

Dear Mr. Ingram:

This is in response to your July 18, 2013 letter concerning the examination covering the period July 12, 2010 through September 3, 2010.

In your July 18, 2013 letter, you state that no audit results are available for agency-handled claims. Please provide those to the Illinois Department of Insurance (Department) once they are complete. Also, please provide me a date when you will provide the audit results for agency-handled claims.

The other proofs of compliance you have submitted have been reviewed and are satisfactory.

Rather than delaying the completion of this exam, 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.

Cordially,

A handwritten signature in black ink, appearing to read "Joseph T. Clennon", with a long, sweeping flourish extending to the right.

Joseph T. Clennon
Staff Attorney