



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

July 25, 2013

Sent via USPS certified mail

*return receipt requested

Mark Reineke
Vice President, Legal Affairs
3813 Green Hills Village Drive
Nashville, TN 37215
615 844-2834

Dear Mr. Reineke:

A Market Conduct Re-Examination of your company was conducted by an authorized examiner designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The Market Conduct Re-Examination covered the period of May 11, 2011 through November 14, 2011.

As required by the Illinois insurance Code Section 132, the Director must notify the company made the subject of any market conduct examination of the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained.

A copy of the Market Conduct Re-Examination Report is enclosed with this letter as well as a Stipulation and Consent Order. The Company may request a hearing within 10 days after receipt of the Market Conduct Re-Examination Report by giving the Director written notice of the request, together with a statement of its objections. The Market Conduct Re-Examination Report will generally not be filed until hearing is completed.

Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the Market Conduct Re-Examination Report. The rebuttal will be considered by the Director before the Market Conduct Re-Examination Report is filed. Please provide any rebuttals, or the signed Stipulation and Consent Orders, to the undersigned by close of business on August 12, 2013. In the event that the Company elects to sign the Stipulation and Consent Order, please sign and return both copies. The Director will sign both copies and a fully executed copy will be returned to you for your records. Please note that the Stipulation and

122 S. Michigan Ave., 19th Floor
Chicago, Illinois 60603
(312) 814-2420
<http://insurance.illinois.gov>

Consent Order requires proof of compliance with Orders 1 and 2 and payment of a civil forfeiture in the amount of \$10,000 within 30 days of receipt of the fully executed Stipulation and Consent Order.

Once the report of the Market Conduct Re-Examination has been filed, the Market Conduct Re-Examination Report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's final Order are also public documents and may be posted on the Department's website.

Please contact me if you have any questions. I may be reached at (312) 814-0919.

Sincerely,



Barbara Delano
Assistant General Counsel
Illinois Department of Insurance
Barbara.Delano@illinois.gov

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.

Barbara Delano
Assistant General Counsel
Illinois Department of Insurance
Barbara.Delano@illinois.gov

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF
THE EXAMINATION OF

FIRST ACCEPTANCE INSURANCE COMPANY, INC.
817 WEST PIONEER PARKWAY, SUITE 114
GRAND PRAIRIE, TEXAS 75051

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 Bernie Sullivan, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of First Acceptance Insurance Company, NAIC # 10336, of Grand Prairie, Texas, and to make a full and true report to me of the examination made by them of First Acceptance Insurance Company with a full statement of the condition and operation of the business and affairs of First Acceptance 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 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 First Acceptance Insurance Company.



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

Done at the City of Springfield, this 28th day of July, 2011.

Jack Messmore
Jack Messmore

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with DEBORA CARROLL , at the hour of 11:00 AM
on November 14 , A.D., 2011.

Bernard Sullivan
Examiner

First Acceptance Insurance Company

MARKET CONDUCT RE-EXAMINATION REPORT

DATE OF RE-EXAMINATION: November 14, 2011, through February 3, 2012

EXAMINATION OF: First Acceptance Insurance Company
(P & C Foreign) NAIC #10336

LOCATION: 3813 Green Hills Village Drive
Nashville, TN 37215

PERIOD COVERED BY
RE-EXAMINATION: May 11, 2011, through November 14, 2011

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

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I. COMPLIANCE:

First Acceptance Insurance Company (“Company” or “FAIC”) was previously the subject of a market conduct examination completed May 8, 2009, covering the period January 1, 2008 through December 31, 2008.

Based upon the findings of that examination the following 21 Orders were issued in a Stipulation and Consent Order issued by the Director of Insurance, State of Illinois, on May 11, 2011.

ORDER #1: Institute and maintain procedures whereby an insured whose private passenger automobile policy is being canceled is provided a specific explanation of the reason or reasons for cancellation and provided at least 30 days advanced notice as required by 215 ILCS 5/143.15.

Finding: FAIC complied with this Order.

ORDER #2: Institute and maintain procedures whereby an insured whose private passenger automobile policy is being nonrenewed is notified of his/her possible eligibility for insurance through the Illinois Automobile Insurance Plan as required by 215 ILCS 5/132.20.

Finding: FAIC complied with this Order.

ORDER #3: Institute and maintain procedures whereby an insured whose private passenger automobile policy is being nonrenewed is advised of the right to appeal and the procedure to follow such appeal as required by 215 ILCS 5/143.23.

Finding: FAIC complied with this Order.

ORDER #4: Institute and maintain procedures whereby an insured whose private passenger automobile policy is being nonrenewed is provided a specific explanation of the reasons for nonrenewal as required by 215 ILCS 5/143.17(e).

Finding: FAIC complied with this Order.

ORDER #5: Institute and maintain procedures whereby the filed rates and rules for applying those rates and rating plans are used when rating and issuing private passenger automobile policies in order not to be in conflict with 50 Ill. Adm. Code 754.10(b)(1) and/or 50 Ill. Adm. Code 754.10(b)(2).

Finding: FAIC complied with this Order.

ORDER #6 Institute and maintain procedures whereby private passenger automobile applications used are those that are filed with the Illinois Department of Insurance as not to be in conflict with 50 Ill. Adm. Code 753.10(a)(3).

Finding: FAIC complied with this Order.

ORDER #7: Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days is provided a written explanation for the delay with the Notice of Availability of the Department of Insurance as outlined in 50 Ill. Adm. Code 919.80(b)(2).

Finding: FAIC complied with this Order.

ORDER #8: Institute and maintain procedures whereby a draft or check to the insured has no verbiage indication "full and final" payment as outlined in 50 Ill. Adm. Code 919.60(a).

Finding: FAIC complied with this Order.

ORDER #9: Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days and is closed without payment is provided a written explanation for the delay with the Notice of Availability of the Illinois Department of Insurance as outlined in 50 Ill. Adm. Code 919.80(b)(2).

Finding: FAIC complied with this Order.

ORDER#10: Institute and maintain procedures whereby a private passenger automobile insured whose claim is being denied is provided a reasonable written explanation of the basis of the denial with the Notice of Availability of the Department of Insurance as outlined in 50 Ill. Adm. Code 919.50(a)(1).

Finding: FAIC complied with this Order.

ORDER #11: Institute and maintain procedures whereby a third party claimant who receives property damage payments from the Company under an insured private passenger automobile insurance policy is provided a written explanation for the delay when the final payment is made more than 60 days from the date the claim was reported, is provided the written explanation by the 60th day, and provided the Notice of Availability of the Department of Insurance as outline in 50 Ill. Adm. Code 919.80(b)(3).

Finding: FAIC complied with this Order.

ORDER #12: Institute and maintain procedures whereby detailed documentation is maintained in the claim file to explain and document how the payment to the third party was reduced by a certain percentage amount as is required by 50 Ill. Adm. Code 919.30(c).

Finding: FAIC complied with this Order.

ORDER #13: Institute and maintain procedures whereby third party claimants whose property damage claim remains unresolved more than 60 days and is closed without payment are provided a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(3).

Finding: FAIC complied with this Order.

ORDER #14: Institute and maintain procedures whereby a third party property damage claimant whose claim is being denied is provided a reasonable written explanation of the basis of the denial as required by 50 Ill. Adm. Code 919.50(a)(2).

Finding: FAIC complied with this Order.

ORDER #15: Institute and maintain procedures whereby the insured's pro-rata share of the deductible is returned as outlined in 215 ILCS 5/143b.

Finding: FAIC complied with this Order.

ORDER #16: Institute and maintain procedures whereby a private passenger automobile insured who experienced a total loss to the insured vehicle is provided a written explanation for the delay with the Notice of Availability of the Illinois Department of Insurance as outlined in 50 Ill. Adm. Code 919.80(b)(2).

Finding: FAIC complied with this Order.

ORDER #17: Institute and maintain procedures whereby documentation of how the market value of the insured totaled vehicle was determined is included in the claim file as mandated by 50 Ill. Adm. Code 919.80(c)(2)(E).

Finding: FAIC complied with this Order.

ORDER #18: Institute and maintain procedures to inform insured's, prior to the first renewal of their automobile policy, of the availability of higher collision and comprehensive deductibles and that a premium savings could result if the higher deductibles were purchased as required by 215 ILCS 143.25a.

Finding: FAIC complied with this Order.

ORDER #19: Institute and maintain procedures whereby when determining the market value of the insured totaled vehicle the Company uses one (1) of the methodologies described under 50 Ill. Adm. Code 919.80(c)(2).

Finding: FAIC complied with this Order.

ORDER #20: The First Acceptance Insurance Company, for the purpose of resolving the instant proceeding, shall pay to the Director of Insurance an amount of \$90,000: \$40,000 shall be payable within 30 days of the execution of this Order. The remaining \$50,000 shall be payable to the Director after the re-examination of First Acceptance Insurance Company, but only if the Department of Insurance notifies First Acceptance Insurance Company that it has determined that First Acceptance Insurance Company, Inc. has not substantially complied with the provision of this Order.

Finding: FAIC complied with this Order.

ORDER #21: The First Acceptance Insurance Company shall submit to a re-examination at any time on or after six (6) months from the date of the execution of this Order so as to determine compliance with the Order. The Department will provide the Company with no less than 60 days advance notice of re-examination. The period of time covered by any re-examination conducted hereunder will commence on or after the effective date of this Order.

Finding: FAIC complied with this Order.

II. SUMMARY

1. FAIC was criticized under 215 ILCS 5/143.19.1(g) for failing to provide the insured with a 60 day advance notice of nonrenewal when the policy was effective for 5 or more years. A class trend criticism was issued.
2. FAIC was criticized under 50 Ill. Adm. Code 919.80(c) for failing to provide the insured with the information contained in Exhibit "A" within 7 days of determination of the total loss of their vehicle. A general trend criticism was issued.

III. BACKGROUND:

First Acceptance Insurance Company

FAIC was incorporated in Tennessee on July 12, 1995 as USAuto Insurance Company. It commenced business on October 7, 1995. The current title was adopted on January 6, 2006. On November 20, 2006, FAIC re-domesticated from Nashville, Tennessee to Grand Prairie, Texas.

FAIC began writing non-standard personal automobile insurance in the State of Tennessee in 1995. By the end of 2003, the Company was licensed in 18 states and writing business in six (6) states. Following the merger of Liberte Investors, Inc. and USAuto Holdings, Inc. in April 2004, USAuto Holdings, Inc. became the surviving corporation of the merger and subsequently changed its name to FAC.

FAIC is currently licensed in 25 states and writing business in 10 states. The Company's subsidiary, First Acceptance Insurance Company of Georgia, Inc. writes only in Georgia, and First Acceptance Insurance Company of Tennessee, Inc. writes only in Tennessee, making a total of 12 states for all companies combined.

FAIC's 2010 NAIC Annual Statement Page 19 (Illinois) reflects the following:

	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
01 Fire	-\$262	-\$120	\$0	\$0
04 Homeowners multiple peril	\$361,005	\$128,708	\$45,105	\$44,347
19.2 Private passenger auto liability	\$16,558,505	\$16,172,601	\$11,420,260	\$10,675,015
21.1 Private passenger auto physical damage	\$7,485,486	\$7,430,936	\$3,333,583	\$3,356,454

IV. METHODOLOGY:

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

1. Risk Selection
2. Underwriting
3. Claims

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories and interviews with company 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 statistically sound selection. Surveys were developed from Company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Risk Selection

Cancellations and nonrenewals of existing policy holders were requested on the basis of the effective date of the transaction falling within the period under examination. Cancellations and nonrenewals were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

Underwriting

The underwriting of new applicants for coverage with FAIC was selected based on the inception date of the policy falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, for compliance with company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Part 919 (50 Ill. Adm. Code 919).

<u>Survey</u>	<u>Selection of Samples</u>		
	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Risk Selection:			
Automobile Cancellations	4	4	100.00%
Automobile Nonrenewals	46	46	100.00%
Underwriting:			
Automobile New Business	19801	90	0.45%
Claims:			
First Party Paid & Median	495	100	20.20%
First Party Closed without Payment	132	83	62.87%
Third Party Paid & Median	1203	109	9.06%
Third Party Closed without Payment	432	93	21.52%
Subrogation	282	76	25.95%
Total Loss	102	102	100%

V. FINDINGS:

A. Risk Selection:

1. Automobile Cancellations

There were no trends or areas of concern.

2. Automobile Nonrenewals

Five (5) automobile policy nonrenewals (10.87% of the 46 files reviewed which constituted 100.00% of the files effective more than 5 years) were criticized for failing to provide a 60 day advanced notice of nonrenewal when the policy was effective for 5 or more years as required by 215 ILCS 5/143.19.1(g). A class trend criticism was issued.

Policy Number	Mailing Date	Nonrenewal Date	Number of days provided
[REDACTED]	07/18/11	08/23/11	36
[REDACTED]	09/20/11	10/27/11	37
[REDACTED]	06/06/11	07/13/11	35
[REDACTED]	06/20/11	07/27/11	37
[REDACTED]	06/21/11	07/28/11	37

B. Underwriting:

1. Automobile New Business

There were no trends or areas of concern.

C. Claims:

1. First Party Paid & Median

The median payment period was 22 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	59	59.00%
31-60	21	21.00%
61-90	6	6.00%
91-180	7	7.00%
181-365	5	5.00%
<u>Over 365</u>	<u>2</u>	<u>2.00%</u>
Total	100	100.00%

Two (2) first party paid claims (2% of the 100 files reviewed) were criticized for failure 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).

Claim Number	Date Reported	Date Paid	Criticism
[REDACTED]	6/24/11	8/23/11	the claim remained unresolved for 60 days without a reasonable written explanation provided
[REDACTED]	7/22/11	12/2/11	the claim remained unresolved for 133 days without a reasonable written explanation provided

2. First Party Closed Without Payment

Two (2) first party closed without payment claims (2.41% of the 83 files reviewed) failed to contain detailed documentation in the file in order to permit reconstruction of the company's activities relative to each claim as required by 50 Ill. Adm. Code 919.30(c).

Four (4) first party closed without payment claims (4.82% of the 83 files reviewed) either failed to provide a reasonable written explanation of the reason or reasons for denial or failed to include the notice of availability of the Department of Insurance with the denial as required by 50 Ill. Adm. Code 919.50(a)(1).

Claim Number	Report Date	Denial sent	Notice of Availability Included
[REDACTED]	7/12/11	yes	no
[REDACTED]	8/5/11	no	no
[REDACTED]	9/27/11	no	no
[REDACTED]	10/4/11	yes	no

3. Third Party Paid & Median

The median payment period was 32 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	52	47.71%
31-60	32	29.36%
61-90	10	9.17%
91-180	14	12.84%
181-365	1	.92%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	109	100.00%

Two (2) third party paid claims (1.83% of the 109 files reviewed) either failed to provide the claimant with a prompt settlement or failed to perform a prompt investigation as required by 215 ILCS 5/154.6(c) and as defined by 50 Ill. Adm. Code 919.40 resulting in a \$48.28 underpayment and an undetermined underpayment.

Claim Number	Date Reported	Date Paid	Criticism	Amount Underpaid
[REDACTED]	8/2/11	8/11/11	a shop supplement was never paid after receipt	\$48.28
[REDACTED]	8/25/11	10/14/11	no contact was attempted with NICOR	unknown

4. Third Party Closed Without Payment

Two (2) third party closed without payment claims (2.15% of the 93 files reviewed) failed to effectuate a prompt, fair and equitable settlement of the claim as required by 215 ILCS 5/154.6(d) resulting in underpayments of \$4,303.05. Refunds were issued during the examination.

Claim Number	Report Date	Adverse Party	Amount Underpaid
[REDACTED]	03/13/11	MET LIFE	\$674.54
[REDACTED]	03/13/11	ALLSTATE	\$3,628.51

5. Subrogation

Four (4) subrogation files (5.26% of the 76 files reviewed) failed to refund the pro rata amount of the deductible after recovery of the claim amount as required by 215 ILCS 5/143b resulting in underpayments of \$1,101.02. Reimbursements were processed during the examination.

Claim Number	Amount Demanded	Recovered Amount	Deductible Amount	Amount Owed
[REDACTED]	\$4,001.00	\$2,995.00	\$500.00	\$375.00
[REDACTED]	\$2,450.00	\$1,400.00	\$250.00	\$214.29
[REDACTED]	\$686.00	\$500.00	\$500.00	\$500.00
[REDACTED]	\$3,787.00	\$3,421.00	\$500.00	\$11.73

6. Total Loss

The median payment period was 31 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	49	48.04%
31-60	31	30.39%
61-90	14	13.73%
91-180	6	5.88%
181-365	2	1.96%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	102	100.00%

One (1) total loss paid claim (0.98% of the 102 files reviewed) failed to refund the pro rata amount of the deductible after recovery of the claim amount as mandated by 215 ILCS 5/143b resulting in underpayments of \$250.00. A reimbursement was processed during the examination.

Claim Number	Amount Demanded	Recovered Amount	Deductible Amount	Amount Owed
[REDACTED]	\$3,323.00	\$1,661.50	500.00	\$250.00

One (1) total loss paid claim (0.98% of the 102 files reviewed) failed to pay the calculated actual cash value of the total loss vehicle and therefore failed to effectuate a fair and equitable settlement as mandated by 215 ILCS 5/154.6(d) resulting in an underpayment of \$10.00. A reimbursement was processed during the examination.

Claim Number	Report Date	Criticism	Amount Underpaid
[REDACTED]	5/17/11	the amount evaluated for the total loss was \$10,160.00 - \$500.00 = \$9,660.00 only \$9,650.00 was paid	\$10.00

Two (2) total loss paid claims (1.96% of the 102 files reviewed) were criticized for failing 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).

Claim Number	Date Reported	Date Paid	Criticism
[REDACTED]	11/29/10	6/30/11	the claim remained unresolved for 213 days without a reasonable written explanation provided
[REDACTED]	7/6/11	9/2/11	the claim remained unresolved for 58 days without a reasonable written explanation provided

Three (3) total loss paid claims (2.94% of the 102 files reviewed) deducted unrelated prior damage from the settlement amounts without the damages being itemized in the file as required by 50 Ill. Adm. Code 919.80(d)(4)(A) resulting in underpayments totaling \$615.00. Reimbursements were processed during the examination.

Claim Number	Report Date	Criticism	Amount Underpaid
[REDACTED]	6/25/11	no documentation was found in the file to justify the deduction for unrelated prior damage	\$125.00
[REDACTED]	8/29/11	no documentation was found in the file to justify the deduction for unrelated prior damage	\$135.00
[REDACTED]	10/14/11	no documentation was found in the file to justify the deduction for unrelated prior damage	\$355.00

Thirteen (13) total loss paid claims (12.74% of the 102 files reviewed) were criticized for failing to provide the information contained in Exhibit A of Section 919, to the insureds within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c). A general trend criticism was issued.

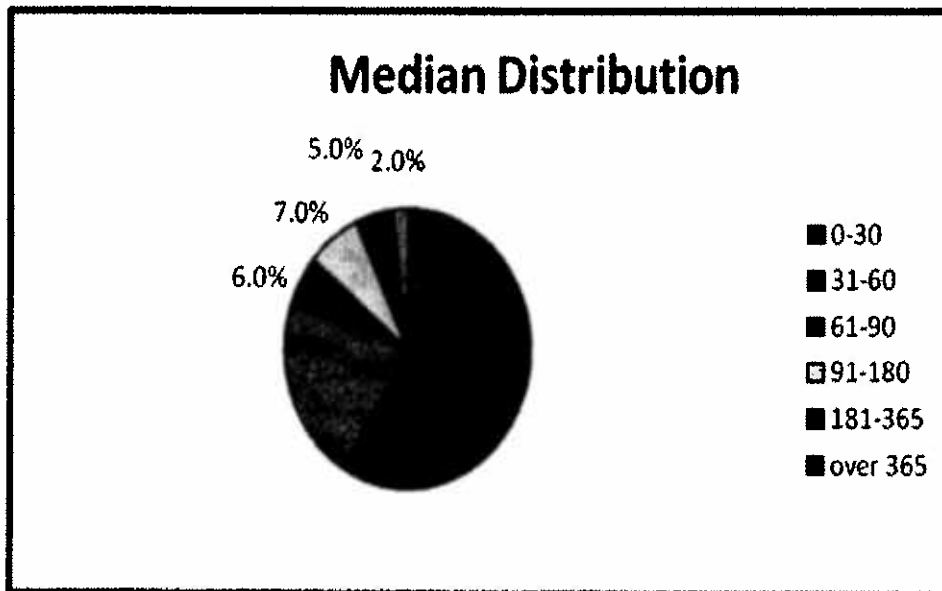
Claim Number	Report Date	Date Determined Total Loss	Criticism	# days provided after determination
[REDACTED]	2/7/11	2/16/11	the information was provided after 7 days from determination	189
[REDACTED]	5/10/11	5/10/11	the information was	14

			provided after 7 days from determination	
██████████	5/12/11	5/23/11	the information was provided after 7 days from determination	44
██████████	5/27/11	6/20/11	the information was provided after 7 days from determination	12
██████████	5/27/11	6/7/11	the information was provided after 7 days from determination	78
██████████	6/11/11	7/6/11	the information was provided after 7 days from determination	35
██████████	6/24/11	7/22/11	the information was provided after 7 days from determination	14
██████████	7/2/11	7/26/11	the information was provided after 7 days from determination	17
██████████	7/21/11	7/22/11	the information was provided after 7 days from determination	13
██████████	7/22/11	7/29/11	the information was provided after 7 days from determination	12
██████████	7/25/11	8/4/11	the information was provided after 7 days from determination	48
██████████	8/1/11	8/10/11	the information was provided after 7 days from determination	28
██████████	8/28/11	8/30/11	the information was provided after 7 days from determination	52

VI. TECHNICAL APPENDICES:

FIRST PARTY PAID & MEDIAN

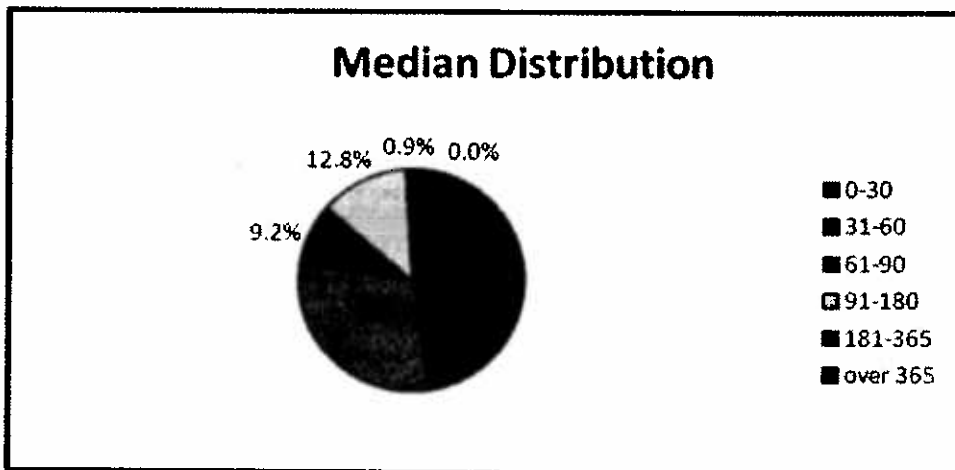
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	59	59.00%
31-60	21	21.00%
61-90	6	6.00%
91-180	7	7.00%
181-365	5	5.00%
over 365	2	2.00%
Total	100	100.00%



VI. TECHNICAL APPENDICES continued:

THIRD PARTY PAID & MEDIAN

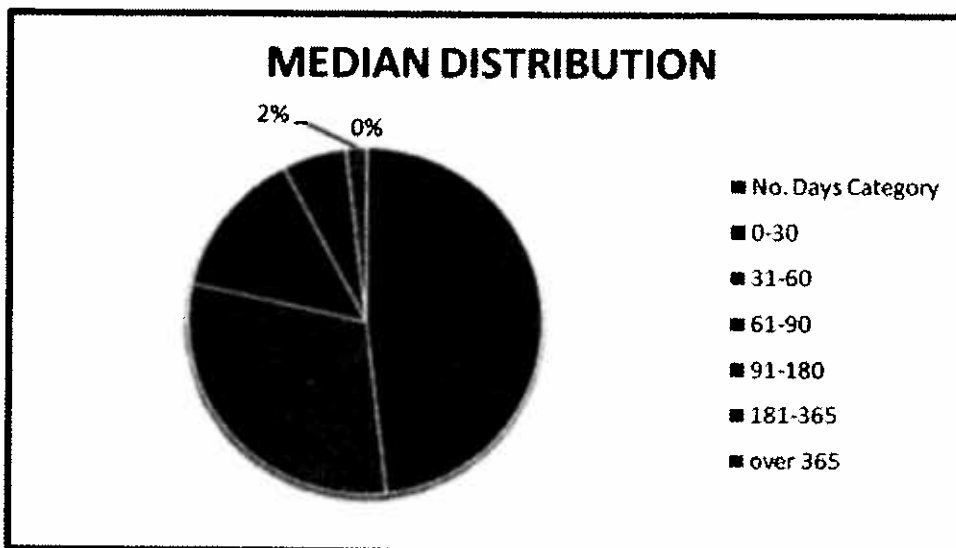
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	52	47.71%
31-60	32	29.36%
61-90	10	9.17%
91-180	14	12.84%
181-365	1	0.92%
over 365	0	0.00%
Total	109	100.00%



VI. TECHNICAL APPENDICES continued:

TOTAL LOSSES

MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	49	48.04%
31-60	31	30.39%
61-90	14	13.73%
91-180	6	5.88%
181-365	2	1.96%
over 365	0	0.00%
Total	102	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:

First Acceptance Insurance Company, NAIC # 10336 (the "Company")


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 Company 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 Company's business and affairs and the manner in which the Company conducts 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 Company nor any of the Company's 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 Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

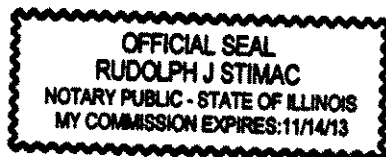
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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 27th day of JUNE, 2013.


Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:
FIRST ACCEPTANCE INSURANCE COMPANY
NAIC #10336

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, First Acceptance Insurance Company ("Company" or "FAIC") is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Re-Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425) covering the period of May 11, 2011 through November 14, 2011; and

WHEREAS, as a result of the Market Conduct Re-Examination, the Department examiners filed a Market Conduct Re-Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Re-Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company.

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

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

1. Institute and maintain procedures whereby all policyholders that have had policies that have been effective or renewed for 5 or more years shall be given notice of the intention not to renew, mailed to the insured, at least 60 days before the date of the nonrenewal as required by 215 ILCS 5/143.19.1(g).
2. Institute and maintain procedures whereby all total loss paid claims are provided the right of recourse letter as outlined in Section 919.Exhibit A and required by 50 Ill. Adm. Code 919.80(c).
3. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above two (2) orders within 30 days of receipt of this Order.
4. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$10,000 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

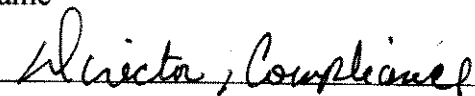
On behalf of FIRST ACCEPTANCE INSURANCE COMPANY:



Signature

Robert Rice

Name



Director, Compliance

Title

Subscribed and sworn to before me this
20th day of August A.D. 2013.

Jennifer Johnson
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE ~~8/20/13~~ August
22, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

January 3, 2014

Mark Reineke
Vice President, Legal Affairs
3813 Green Hills Village Drive
Nashville, TN 37215

Re: ***First Acceptance Insurance Company
Market Conduct Examination Report***

Dear Mr. Reineke:

The company has submitted to the Department proofs of compliance with Order # 1 and Order #2 and has submitted the \$10,000 civil forfeiture as outlined in the Stipulation and Consent Order issued by the Department. These proofs of compliance have been reviewed and are satisfactory.

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.

Sincerely,

Caryn C. Carmean, A.C.A.S., M.A.A.A.
Acting Deputy Director Consumer Outreach and Protection
Illinois Department of Insurance
320 West Washington Street
Springfield, IL 62767
217-557-7311
Caryn.Carmean@illinois.gov