



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

January 21, 2016

Stuart C. Henderson, President
American Freedom Insurance Company
559 West Golf Road
Arlington Heights, IL 60005

Re: American Freedom Insurance Company, NAIC 10864
Market Conduct Examination Report Closing Letter

Dear Mr. Henderson:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department has dismissed Hearing No. 14-HR-0957 and 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. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

cc: Alvin R. Becker, Esq.

American Freedom Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 9, 2013 through April 26, 2014

EXAMINATION OF: American Freedom Insurance Company
(P&C Domestic) NAIC # 10864

LOCATION OF EXAMINATION: 559 West Golf Road
Arlington Heights, IL 60005

PERIOD COVERED BY EXAMINATION: July 1, 2012 through June 30, 2013

EXAMINERS: Leo Garrity, Examiner-in-Charge, CPA
Pat Neesham, CPA, CFE, MCM
Jo-Anne G. Fameree, AMCM, CIE, FLMI, AIRC
Judi Miller

Index

I.	SUMMARY.....	1
II.	BACKGROUND	3
III.	METHODOLOGY.....	5
IV.	FINDINGS	9
A.	Complaint Handling - Department of Insurance Complaints	9
B.	Complaint Handling - Consumer Complaints.....	9
C.	Risk Selection - Combined Cancellations / NonRenewals	9
D.	Claims - Combined Private Passenger Automobile First Party Median & Paid and Total Losses	9
E.	Claims - Combined Private Passenger Automobile Third Party Median & Paid and Subrogation	10
F.	Claims (Private Passenger Automobile First Party Closed Without Payment)	11
G.	Claims (Private Passenger Automobile Third Party Closed Without Payment).....	11
H.	Claims - Private Passenger Automobile Arbitration	11
V.	INTERRELATED FINDINGS.....	11

I. SUMMARY

1. The Company was criticized under 215 ILCS 5/154.6(r) and/or 215 ILCS 5/154.6(a) for misrepresenting a policy provision when denying claims for water damage. The Company misrepresented to claimants and insureds relevant facts or policy provisions relating to coverages at issue.
2. The Company was criticized under 215 ILCS 5/154.6(r) and/or 215 ILCS 5/154.6(c) and/or 215 ILCS 5/154.6(d) for incorrectly denying seven third party claims when it had sufficient evidence to reasonably establish liability, and for incorrectly denying one first party claim based on an untimely submission. The Company failed to adopt and implement standards for prompt investigation and settlement of claims, and did not in good faith attempt to effectuate prompt, fair and equitable settlement of submitted claims in which liability had become reasonably clear.
3. The Company was criticized under 50 Ill. Adm. Code 919.30(b) for not maintaining a verifiable record of the date of payment of a claim. The Company has established a practice of printing a date on the claims check that does not correspond with the date that the Company actually releases/issues/mails that check to claimants. The Company does not maintain any record of the actual date that it releases/issues/mails funds via claims check to the claimant. Therefore, the date printed on the check is not a true representation of the release of funds via a claims check.
4. As a result of the criticism that the Company failed to maintain documentation in each of its claim files, which permits its claims activities to be reconstructed as required by 50 Ill. Adm. Code 919.30(c). Compliance with the regulations listed below cannot be determined and/or independently verified.
 - i) 50 Ill. Adm. Code 919.50 for those portions of the claim which are not in dispute and for which the payee is known, the company shall tender payment within said 30 days.
 - ii) 50 Ill. Adm. Code 919.80(b)(1), the "median payment period" determination based on the period from the date of notification of loss to the date of final payment or the rendering of the repaired automobile to the insured or third party claimant.
 - iii) 50 Ill. Adm. Code 919.80(b)(2) whether the claim was unresolved (payment not released by the Company) in excess of 40 calendar days from the date it was reported and if so, whether the reasonable written explanation for the delay was provided to the insured?
 - iv) 50 Ill. Adm. Code 919.80(b)(3) whether the claim was unresolved (payment not released by the Company) in excess of 60 calendar days from the date it was reported and if so, whether the reasonable written explanation for the delay was provided to the insured?
5. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for improper claims practices for adopting a notification that does not clearly set forth the elements required when the settlement amount of a claim is lowered for deductibles, advanced charges, betterment or premium.

6. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for improper claims practices for providing incomplete or inaccurate written explanations for claim reductions when the Company's settlement was less than the amount claimed, thereby not meeting the requirement for a reasonable written explanation. Twelve of the Paid Claims (12% of the files reviewed) were criticized.

II. BACKGROUND

HISTORY

American Freedom Insurance Company (AFIC or Company) was incorporated on January 8, 1998, under the laws of the State of Illinois and began operations on March 1, 1998, in Arlington Heights, Illinois. AFIC is currently a member of the Western National Insurance Group and specializes in writing nonstandard automobile insurance coverage.

On April 30, 2012, Western National Mutual Insurance Company (Western National Mutual), a Minnesota domiciled property and casualty insurance company, purchased 100 percent of the issued and outstanding common shares of Dynamic Insurance Group, the parent company of AFIC. On August 3, 2012, Dynamic Insurance Group was merged into AFIC, and Western National Mutual is now the parent company of AFIC.

AFIC owns 100 percent of the issued and outstanding common shares of Colonial Insurance Services, Inc.

BUSINESS PROFILE

AFIC provides nonstandard automobile liability and physical damage coverage in the domiciliary state of Illinois, as well as Indiana and Pennsylvania. Policies are written on a semi-annual or annual basis at basic statutory limits. All business is produced directly through independent agencies.

AFIC has an administrative services agreement with its parent, Western National Mutual whereby Western National Mutual agrees to provide all services that are reasonably necessary for the administration of AFIC. AFIC has an administrative services agreement with its wholly owned subsidiary, Colonial Insurance Services, Inc. whereby AFIC agrees to provide all services that are reasonably necessary for the administration of Colonial Insurance Services, Inc.

2012 State Page Exhibit – 019

	Direct premiums written	Direct premiums earned	Direct losses paid	Direct losses incurred
Other private passenger auto liability	11,641,289	10,448,608	2,727,950	4,195,690
Private passenger auto physical damage	7,351,509	6,757,884	1,967,898	2,388,905

2013 State Page Exhibit – 019

	Direct premiums written	Direct premiums earned	Direct losses paid	Direct losses incurred
Other private passenger auto liability	10,677,740	10,286,968	2,460,292	4,642,163
Private passenger auto physical damage	7,353,309	7,188,985	2,601,298	3,050,896

III. METHODOLOGY

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

The following categories were the general areas examined:

1. Operations and Management
2. Unclaimed Property
3. Complaint Handling
4. Marketing and Sales
5. Risk Selection (Producer Licensing & Policyholder Services)
6. Underwriting and Rating
7. Claims

The review of these categories was 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 the general areas listed above were examined for compliance with departmental rules and regulations, and applicable state law.

Individual criticisms have been communicated to the insurer and incorporated into the report.

The following criteria were used to obtain the required samples and to assure a methodical selection: Surveys were developed from Company generated Excel spreadsheets. The sample size was based on the most recent *NAIC Market Regulation Handbook* and random samples were generated using the ACL program. The select samples were provided to the Company for retrieval.

Operations and Management

A review was conducted of the Company underwriting and claims guidelines and procedures, policy forms, internal audits, Certificate of Authority, previous market conduct examinations, annual statements, reinsurance program and third-party vendor contracts. These documents were reviewed for compliance with Illinois Compiled Statutes and the Illinois Administrative Code.

Unclaimed Property

The population request for this category consisted of quarterly unclaimed property statements, unclaimed property reports and escheat payments, and unclaimed property identified but not reported or escheated to the State of Illinois for the experience period. However, on December 12, 2013, the Company entered into a Voluntary Disclosure Agreement with The Illinois State Treasurer's Office regarding potential liability under the Unclaimed Property Act. Therefore, no testing was completed in this exam in regard to unclaimed property.

Complaint Handling

Department of Insurance Complaints -The population request for this category consisted of complaints received from the Illinois Department during the experience period. The Company's complaint record (log) was reconciled with the individual file information and the DOI records to determine the completeness and accuracy of the data recorded. Each complaint file along with the underlying claim or underwriting file was reviewed for compliance with statutory/regulatory requirements.

Consumer Complaints - The population request for this category consisted of complaints received directly from consumers during the experience period. The Company's complaint record (log) was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with statutory/regulatory requirements.

Marketing and Sales

The population request for this category consisted of all sales, advertising, producer training and producer communications created during the examination period. All marketing and sales pieces were reviewed for statutory/regulatory compliance.

Risk Selection (Producer Licensing & Policyholder Services)

Cancellations - The population request for this category consisted of private passenger automobile cancellations that had an effective date of cancellation occurring during the experience period; including cancellations during the underwriting review period of 60 days from the effective date, as well as mid-term cancellations. All cancellations were reviewed for compliance with statutory/regulatory requirements and for possible discrimination.

Rescission - The population request for this category consisted of private passenger automobile rescissions that occurred during the experience period. All rescissions were reviewed for compliance with statutory/regulatory requirements and for possible discrimination.

Non-renewals - The population request for this category consisted of private passenger automobile non-renewal with non-renewal effective dates occurring during the experience period. All non-renewals were reviewed for compliance with statutory/regulatory requirements and for possible discrimination.

Producer Terminations - The population request for this category consisted of terminated producers with an effective date of termination occurring during the experience period and who are independent insurance agents representing an insurance company. The Company did not have any terminated producers.

Underwriting and Rating

The population request for this category consisted of private passenger automobile new business policies issued by the company with the effective date of the new business occurring during the experience period. Individual policies were reviewed for compliance with statutory/regulatory requirements and company underwriting guidelines. Additional data was requested to allow the examination team to test the application of rating discounts and bodily injury rating factors.

Claims

Private Passenger Automobile First Party Median & Paid - The population request for this category consisted of first party collision/comprehensive claims paid, and was based on the final payment for the physical damage made during the experience period. All claims were reviewed for compliance with statutory/regulatory requirements.

Private Passenger Automobile First Party Closed Without Payment - The population request for this category consisted of first party physical damage claims (including total losses) in which the physical damage was closed without payment during the experience period. All claims were reviewed for compliance with statutory/regulatory requirements.

Private Passenger Automobile Third Party Median & Paid - The population request for this category consisted of third party property damage liability claims paid in which the final third party property damage payment was made during the experience period. All claims were reviewed for compliance with statutory/regulatory requirements.

Private Passenger Automobile Third Party Closed Without Payment - The population request for this category consisted of third party property damage liability claims that were closed without payment during the experience period. All claims were reviewed for compliance with statutory/regulatory requirements.

Private Passenger Automobile Total Losses - The population request for this category consisted of first party auto total losses (both comprehensive and collision) in which the final total loss payment (under comprehensive or collision) was made during the experience period. All claims were reviewed for compliance with statutory/regulatory requirements.

Private Passenger Automobile First Party Subrogation - The population request for this category consisted of claims in which the company received recoveries during the experience period and those subrogation recoveries were applied against collision payments made by the Company under the private passenger auto policy. All claims were reviewed for compliance with statutory/regulatory requirements.

Private Passenger Automobile Arbitration - The population request for this category consisted of claims involving arbitration in which a final award was made against the Company during the examination period. All claims were reviewed for compliance with statutory/regulatory requirements.

Selection of Samples

A.	Complaints	<u>Total Files</u>	<u># Reviewed</u>	<u>% Reviewed</u>
1.	Department of Insurance	107*	107	100%
2.	Consumer	29	29	100%
B.	Sales and Advertising Materials	6	6	100
C.	Risk Selection			
1.	Combined Cancellations/Non-renewals	19,060	116	.61%
2.	Rescission	136	31	23%
D.	Underwriting – Private Passenger Automobile New Business	37,272	116	.31%
E.	Claims			
1.	Combined Private Passenger Automobile First Party Median & Paid and Total Losses	532	100	18.8%
2.	Private Passenger Automobile First Party Closed Without Payment	478	83	17%
3.	Combined Private Passenger Automobile Third Party Median & Paid and Subrogation	360	83	23%
4.	Private Passenger Automobile Third Party Closed Without Payment	384	83	22%
5.	Private Passenger Automobile First Party Subrogation	18	18	100%
6.	Private Passenger Automobile Arbitration	28	28	100%

*Please Note: This figure does not reflect the number of entries contained on the Company's Complaint Record (Log) as the Company's Complaint Record reflects entries for each DOI response required rather than a single entry for each DOI complaint number. Additionally the Company's Complaint Record excluded complaints received but not resolved during the examination period.

IV. FINDINGS

A. Complaint Handling - Department of Insurance Complaints

1. One of the underlying claims files related to the Department of Insurance complaints (.9% of the files reviewed) was criticized for an inaccurate denial based on the misrepresentation of its policy provision relating to the failure to protect from further damages. In accordance with 215 ILCS 5/154.6(r), the Company engaged in acts substantially equivalent to 215 ILCS 5/154.6(a), misrepresenting to claimants and insureds relevant facts or policy provisions relating to coverages at issue. The Company's actions resulted in an underpayment based on the incorrect denial of the claim.
2. Seven of the underlying third party claim files related to the Department of Insurance complaints (6.5% of the files reviewed) were criticized for incorrect denials. The company denied these third party claims despite the fact it had sufficient evidence to reasonably establish liability. In accordance with 215 ILCS 5/154.6(r), the Company engaged in acts substantially equivalent to 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d), failing to adopt and implement standards for prompt investigation and settlement of claims, and not attempting in good faith to effectuate prompt, fair and equitable settlement of submitted claims in which liability has become reasonably clear. The Company's actions resulted in the incorrect denial of seven claims.

B. Complaint Handling - Consumer Complaints

1. No violations were noted.

C. Risk Selection - Combined Cancellations / NonRenewals

1. No violations were noted.

D. Claims - Combined Private Passenger Automobile First Party Median & Paid and Total Losses

1. The Company was criticized for establishing a practice of printing a date on the claims check that does not correspond with the date that the Company actually releases/issues/mails that check to claimants. The Company does not maintain any record of the actual date that it releases/issues/mails funds via claims check to the claimant. Since the date printed on the check is not a true representation of the release of funds via a claims check, the Company does not maintain a verifiable record of the date of payment of the claim as required by 50 Ill. Adm. Code 919.30(b).

2. As a result of the criticism listed in item #1 above, that the Company failed to maintain documentation in each of its claim files, which permits its claims activities to be reconstructed as required by 50 Ill. Adm. Code 919.30(c). Compliance with the regulations listed below cannot be determined and/or independently verified.
 - i) 50 Ill. Adm. Code 919.50, for those portions of the claim which are not in dispute and for which the payee is known, the company shall tender payment within said 30 days.
 - ii) 50 Ill. Adm. Code 919.80(b)(1), the "median payment period" determination based on the period from the date of notification of loss to the date of final payment or the rendering of the repaired automobile to the insured or third party claimant.
 - iii) 50 Ill. Adm. Code 919.80(b)(2), whether the claim was unresolved (payment not released by the Company) in excess of 40 calendar days from the date it was reported and if so, whether the reasonable written explanation for the delay was provided to the insured?
 - iv) 50 Ill. Adm. Code 919.80(b)(3), whether the claim was unresolved (payment not released by the Company) in excess of 60 calendar days from the date it was reported and if so, whether the reasonable written explanation for the delay was provided to the insured?
3. The Company was criticized for adopting a notification that does not clearly set forth the elements required under 50 Ill. Adm. Code 919.50(a)(1) when the settlement amount of a claim is lowered for deductibles, advanced charges, betterment or premium.
4. Twelve of the first party paid claims (12% of the files reviewed) were criticized for providing incomplete or inaccurate written explanations for claim reductions when the Company's settlement was less than the amount claimed, thereby not meeting the requirement for a reasonable written explanation under 50 Ill. Adm. Code 919.50(a)(1). The Company's actions resulted in the improper disclosure of claims reductions.

E. Claims - Combined Private Passenger Automobile Third Party Median & Paid and Subrogation

1. The Company was criticized for establishing a practice of printing a date on the claims check that does not correspond with the date that the Company actually releases/issues/mails that check to claimants. The Company does not maintain any record of the actual date that it releases/issues/mails funds via claims check to the claimant. Since the date printed on the check is not a true representation of the release of funds via a claims check, the Company does not maintain a verifiable record of the date of payment of the claim as required by 50 Ill. Adm. Code 919.30(b).

2. As a result of the criticism listed in item #1 above, the Company failed to maintain documentation in each of its claim files, which permits its claims activities to be reconstructed as required by 50 Ill. Adm. Code 919.30(c). Compliance with the regulations listed below cannot be determined and/or independently verified.
 - i) 50 Ill. Adm. Code 919.50 for those portions of the claim which are not in dispute and for which the payee is known, the company shall tender payment within said 30 days.
 - ii) 50 Ill. Adm. Code 919.80(b)(1), the "median payment period" determination based on the period from the date of notification of loss to the date of final payment or the rendering of the repaired automobile to the insured or third party claimant.
 - iii) 50 Ill. Adm. Code 919.80(b)(2) whether the claim was unresolved (payment not released by the Company) in excess of 40 calendar days from the date it was reported and if so, whether the reasonable written explanation for the delay was provided to the insured?
 - iv) 50 Ill. Adm. Code 919.80(b)(3) whether the claim was unresolved (payment not released by the Company) in excess of 60 calendar days from the date it was reported and if so, was the reasonable written explanation for the delay was provided to the insured?

F. Claims (Private Passenger Automobile First Party Closed Without Payment)

1. No violations were noted.

G. Claims (Private Passenger Automobile Third Party Closed Without Payment)

1. No violations were noted.

H. Claims - Private Passenger Automobile Arbitration

1. No violations were noted.

V. INTERRELATED FINDINGS

1. In one of the underlying claim files related to the Department of Insurance complaints (.9% of the files reviewed) the Company failed to conduct a complete investigation into allegations presented in a DOI complaint; thereby, engaging in acts equivalent to 215 ILCS 5/154.6(h), refusing to pay a claim without conducting a reasonable investigation based on all available information. The Company's actions resulted in an underpayment based on the incorrect denial of the claim.
2. In one of the underlying first party claim files related to the Department of Insurance complaints (.9% of the files reviewed) the Company denied the claim based on the fact claims information was not submitted within 30 days of being requested. However, the information was actually submitted within 23 days of the request. In accordance with 215 ILCS 5/154.6(r), the Company engaged in acts substantially equivalent to 215 ILCS 5/154.6(c), failing to adopt and implement standards for prompt investigation and settlement of claims and 215 ILCS 5/154.6(d), not attempting in good faith to effectuate prompt, fair and equitable settlement of submitted claims in which liability has become reasonably clear. The Company's actions resulted in an underpayment based on the incorrect denial of the claim.
3. Throughout the exam, many claim files lacked proper documentation to support actions and inactions during the claims process. Examples include, but are not limited to lack of photo descriptions and a lack of proper claims file investigation log documentation to support liability decisions. The Company is cautioned to improve their claims file documentation preservation practices and to document all decisions made on files with sufficient support under 50 Ill. Adm. Code 919.30.

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Leo C. Garrity, Jr. 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") Examiner-In-Charge to examine the insurance business and affairs of:

American Freedom Insurance Company, NAIC #10864

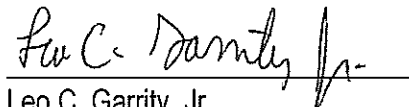
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

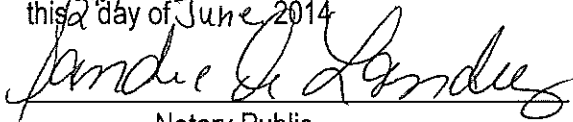
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the state of Illinois;

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 Company.


Leo C. Garrity, Jr.
Examiner-In-Charge

Subscribed and sworn to before me
this 2nd day of June 2014


Notary Public



Sandra A. Landry
Notary Public
Jefferson Parish, Louisiana
Commission No 89010

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

AMERICAN FREEDOM INSURANCE COMPANY, NAIC 10864
559 WEST GOLF ROAD
ARLINGTON HEIGHTS, IL 60005

STIPULATION AND CONSENT ORDER

WHEREAS, the Acting 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, American Freedom Insurance Company ("Company"), is authorized under the insurance laws of this State and by the Acting Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted for the period from July 1, 2012 through June 30, 2013, by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, 5/407, and 5/425); and

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

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

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

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, and 407, 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 Acting 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 Acting 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 Acting 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 Acting Director that the Company shall:

1. Institute and maintain procedures to maintain a verifiable record of the date of payment of a claim, and ensure said documentation is accessible and retrievable for examination by the Director as required by 50 Ill. Adm. Code 919.30(b).
2. Institute and maintain procedures to maintain documentation in each of its claim files, which permits its claims activities to be reconstructed as required by 50 Ill. Adm. Code 919.30(c).
3. Institute and maintain procedures that ensure the notification provided to insureds clearly sets forth the elements required when the settlement amount of a claim is lowered for deductibles, advanced charges, betterment or premium pursuant to 50 Ill. Adm. Code 919.50(a)(1).
4. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within 30 days of execution of this Order.
5. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$20,000 to be paid within 30 days of execution of this Order.
6. The Company will pay any and all outstanding examination fees and expenses within 30 days of execution of this Order and submit proof of payment to the Department.

Hearing 14-HR-0957 shall be dismissed upon the Company's compliance with Orders 1-6.

NOTHING contained herein shall prohibit the Acting 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 AMERICAN FREEDOM INSURANCE COMPANY

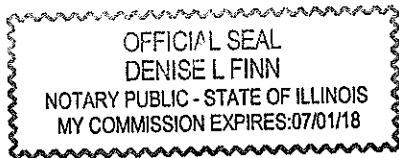
Laurent Sullivan
Signature

Laurent Sullivan
Name

Executive Vice President
Title

Subscribed and sworn to before me this
23 day of November 2015.

Denise L. Finn
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 12-1-15

Anne Melissa Dowling
Anne Melissa Dowling
Acting Director