

**BEFORE THE DIVISION OF INSURANCE
DEPARTMENT OF LABOR AND REGULATION
STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE
TARGET MARKET EXAMINATION
OF ZURICH AMERICAN
INSURANCE GROUP**

**FINDINGS OF FACT,
CONCLUSIONS OF LAW,
AND ORDER**

On September 1, 2015 the South Dakota Division of Insurance (“Division”) submitted a Target Market Conduct Examination Report (“Report”) to Zurich American Insurance Company, American Zurich Insurance Company, and Empire Fire and Marine Insurance Company (hereinafter referred to as “the Companies”). The Companies address of record is 1400 American Lane, Schaumburg, Illinois 60196. The Director reviewed the Report and makes the following Findings of Fact, Conclusions of Law and Order, pursuant to SDCL § 58-3-12 and SDCL Chapter 1-26:

FINDINGS OF FACT

I.

The Companies are insurers licensed in South Dakota subject to examination, pursuant to SDCL § 58-3-1.

II.

On August 3, 2012, the Director of the Division issued an Order for Examination of the Companies.

III.

The period of the Target Market Conduct Examination of the Companies was from January 1, 2009 through June 30, 2012, unless otherwise noted in the Report.

IV.

The Target Market Conduct Examination of the Companies resulted in a Report which the Division has reviewed.

V.

The finalized Report was filed with the Division on June 10, 2015.

VI.

The Report was transmitted by the Division to the Companies via Electronic Mail and U.S. First Class Mail on September 1, 2015.

VII.

The Companies received the Report via Electronic Mail on September 1, 2015.

VIII.

The Companies were allowed thirty days to respond to the report in accordance with SDCL § 58-3-12.

IX.

The Director has reviewed and considered the Report.

X.

To the extent any of the foregoing are improperly designated and are instead conclusions of law, they are hereby redesignated and incorporated herein as Conclusions of Law.

CONCLUSIONS OF LAW

I.

The Director of the Division of Insurance has jurisdiction over this matter pursuant to SDCL Chapter 58-3.

II.

SDCL §§ 58-3-12 and 58-3-17 require the Director to issue an Order in this matter, pursuant to SDCL Chapter 1-26. The Report may be adopted as filed or with modifications or corrections, or the Report may be rejected in full, or the Director may call for an investigatory hearing.

III.

Pursuant to SDCL § 58-3-17, the Companies must serve their directors with a copy of this Order and the Report and file affidavits from the directors with the Division stating they have received a copy of the Order and Report.

IV.

Pursuant to SDCL §§ 1-27-1.5(5) and 58-3-14, the Report, including the Companies' responses, is not open to public inspection for a period of 30 days after the date of this Order.

V.

Pursuant to SDCL § 58-3-25, the Director has the authority to set forth the time frame for implementation of the Report recommendations.

VI.

To the extent any of the foregoing are improperly designated and are instead findings of fact, they are hereby redesignated and incorporated herein as Findings of Fact.

ORDER

It is hereby ORDERED pursuant to SDCL § 58-3-12(1), the contents of the Report are adopted; and it is further

ORDERED pursuant to SDCL § 58-3-17, the Companies are to serve a copy of the Order and Report on each member of its Board of Directors; and it is further

ORDERED pursuant to SDCL § 58-3-17, that within 30 days of the date of this Order, the Companies shall file affidavits with the Division, executed by each member of its Board of Directors, stating that they have received a copy of the Order and Report; and it is further

ORDERED the Director will provide the Companies 30 days to propose the time frame for implementation of the Report recommendations; and it is further

ORDERED that once 30 days has passed, the Director will set the time frame for implementation of the Report recommendations; and it is further

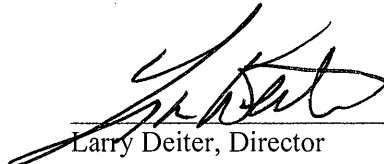
ORDERED that once the time frame has been set, the Companies shall comply with the Report recommendations and shall continue to follow the policies and procedures that have been put in place during the course of the examination and those subsequent to the examination's completion; and it is further

ORDERED the Director will release the adopted Report in compliance with SDCL § 58-3-14 unless a court of competent jurisdiction stays its publication; and it is further

ORDERED that this Order may not be used by any person for any competitive purpose or used in a manner that would violate SDCL Chapter 58-33.

This Order may be appealed to the Circuit Court and South Dakota Supreme Court pursuant to SDCL Chapter 1-26.

Dated this 30th day of October, 2015.



Larry Deiter, Director
South Dakota Division of Insurance
124 S. Euclid Ave., 2nd Floor
Pierre, SD 57501

CERTIFICATE OF SERVICE

I, Benjamin M. Eirikson, the undersigned, do hereby certify that on this 30th day of October 2015, a true and correct copy of the Findings of Fact, Conclusions of Law and Order with respect to the above-entitled action was sent U.S. Certified Mail thereon, to the following:

Zurich American Insurance Group
Attn: Mary Stotler
1400 American Lane
Schaumburg, IL 60196

Dated this 30th day of October, 2015 in Pierre, South Dakota.



Benjamin Eirikson, Legal Counsel
South Dakota Division of Insurance
124 S. Euclid Ave., 2nd Floor
Pierre, SD 57501