

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

ATLANTA CASUALTY COMPANY  
(ATLANTA CASUALTY COMPANIES)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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## I. INTRODUCTION

Atlanta Casualty Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination. The scope period of this examination is January 2000 through March 2001. The examination began April 15, 2001 and ended May 12, 2001. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded November 1, 1997.

The 1997 examination report included the review of the Company's private passenger automobile business. Violations cited included use of unfiled policy declaration pages, use of unfiled policy renewal certificates, use of obsolete endorsements, failure to display edition dates on forms listed on the policy declaration pages, failure to provide a company telephone number, use of unfiled annual expense fees, and failure to display the agent's license identification number on applications.

The purpose of this target examination was to review the handling of private passenger automobile claims. Specifically, the examination was due to numerous consumer complaints received by the Department regarding excessive delays in handling and paying claims, lack of communication, failure to respond to Department inquiries, and failure to provide all coverages available under the policy.

During this examination, records reviewed included claims and consumer complaints for the period of January 2000 through March 2001, as reflected in the report.

This report contains examination results addressing all areas of noncompliance found during the course of the examination. In all instances, the Company was directed to take corrective action as required, issue appropriate refunds, make all necessary filings with the Department and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes/Rules.

II. PRE-EXAM REVIEW OF COMPANY WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

The Certificate of Authority/Renewal Invoices were reviewed for all years within the scope of the examination.

2. Exam Findings

The review included verification of the lines of business the Company was authorized to write during the scope of examination versus those lines actually being written. It also included verification that notification requirements were met for any line of business that was discontinued.

No errors were found.

### III. COMPANY OPERATIONS/MANAGEMENT

#### A. PROFILE

Atlanta Casualty Company was incorporated under the laws of Georgia on June 13, 1972, and commenced writing business on September 1, 1972. On December 31, 1993, the Company redomesticated from Georgia to Illinois. From December 31, 1993 to December 6, 1998, the Company was an Illinois domestic. On December 7, 1998, the Ohio Department of Insurance approved the redomestication of the Company to Ohio. Financial control of the Company was acquired on December 31, 1990 from Great American Insurance Company, a wholly-owned subsidiary of American Financial Group, the parent company. Claims and underwriting/processing functions operate out of three facilities in the Atlanta, Georgia area.

The underwriting activities of the Company are conducted under a management contract with Atlanta Casualty Group, Inc., a general agency that is wholly-owned by [Atlanta Casualty Company.] The agency works with agents in placing business with the Company. Marketing is accomplished via agency contracts with approximately 10,000 independent agents. Currently, the Company sells full coverage nonstandard personal automobile insurance.

#### B. MANAGEMENT

The Claims Department has established the Special Investigative Unit (SIU) to investigate all suspected claims fraud. The Internal Security Unit (ISU) has the primary responsibility of evaluating and resolving questionable activity involving an employee or agent of the Company. In addition, the Company utilizes a unit called Agency Audit (A/A) to support the Marketing Department in monitoring the performance of independent agents, and to conduct detailed audits of specific agents and agencies when key indicators point to the possibility of fraud.

Financial and operational records of the Company are independently audited every year by Ernst & Young, corporate internal auditors, state insurance departments, and internal quality assurance audits.

The Company archives all data off-site at a vault facility in the event of disaster.

Critical files for policy and claim processing reside on the UNISYS A19 mainframe, which is the primary computer system for the Company.

C. OPERATIONS

Business is written in all areas of the State of Florida. The Company offers a 24-hour automated response system for billing and claims inquiries, as well as an automation package with upload and electronic funds transfer capabilities.

#### IV. CLAIMS REVIEW

One hundred (100) claims were examined.

Two (2) errors were found.

None of the errors affected payments.

The Company's internal claims handling procedures and reserving practices are described in Exhibit I.

The errors are broken down as follows:

1. One (1) error was due to failure to acknowledge and act promptly on a claim. As a result of a computer error, there was a delayed reimbursement of a property damage payment. This constitutes a violation of Section 626.9541, Florida Statutes.
2. One (1) error was due to failure to properly forward the automobile title on a total loss to the Division of Highway Safety and Motor Vehicles within 72 hours after the Company's receipt of same. This constitutes a violation of Section 319.30, Florida Statutes.

V. COMPLAINTS REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has not been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have not been completely established by the Company. Complaint handling procedures are described in Exhibit II. Consumer complaints received during the scope of examination were reviewed and findings are as follows:

1. Eleven (11) errors were due to failure to properly handle claims. This constitutes a violation of Section 626.9541, Florida Statutes. The Company maintains this is a result of employee turnover, computer and communication changes due to moving the Company office, and an increased volume of business. Management advised that the problems have been corrected and the Company has increased the adjuster staff in Florida. Exhibit III.

A. DOI REFERRALS

<u>REFERRAL #</u>	<u>ALLEGED VIOLATION</u>	<u>VIOLATION</u>
S-0001-0017919	Failure to act promptly	626.9541
S-0001-0017919	Unreasonable settlement	626.9541
S-9900-0071340	Failure to act promptly	626.9541
S-0001-0014044	Failure to act promptly	626.9541
S-0001-0002348	Failure to act promptly	626.9541
S-0001-0008665	Failure to act promptly	626.9541
S-0001-0014905	Failure to act promptly	626.9541
S-0001-0011291	Failure to act promptly	626.9541
S-0001-0015415	Failure to act promptly	626.9541
S-0001-0017537	Failure to act promptly	626.9541
S-0001-0012181	Failure to act promptly	626.9541
S-0001-0009069	Failure to act promptly	None
S-0001-0005238	Request for BI payment	None

S-0001-0000628	Medical pay dispute	None
S-0001-0005342	Settlement dispute	None
S-0001-0010677	Car rental dispute	None
S-0001-0005149	Tire payment dispute	None
S-0001-0006276	Coverage dispute	None
S-0001-0005243	Cancellation refund	None
S-0001-0010132	Late supplemental payment	None
S-0001-0014126	Total loss dispute	None
S-0001-0034453	Claim payment delay	None

B. COMPANY RECEIVED COMPLAINTS

Atlanta Casualty Company was not maintaining a log of consumer complaints received directly from consumers. The Company has been directed to put procedures in place and begin keeping a complaint log.

One (1) error was due to failure to maintain a record of consumer complaints received directly from consumers. This constitutes a violation of Section 626.9541, Florida Statutes.

As a result of the review of complaints and claims, it was noted that problems did exist historically as has been identified in the report. The review did document that corrective action has been implemented.

VI. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS HANDLING PROCEDURES	I
COMPLAINT HANDLING PROCEDURES	II
COMPANY RESPONSE TO CLAIM DELAYS	III