



OFFICE OF INSURANCE REGULATION

FILED

OCT 15 2003

OFFICE OF
INSURANCE REGULATION
Docketed by: SP

KEVIN M. McCARTY
DIRECTOR

IN THE MATTER OF:

CASE NO.: 62308-02-CO

**AMERICAN ALTERNATIVE INSURANCE
CORPORATION**

2002 Property and Casualty Market Conduct
Examination

RECEIVED
OCT 16 2003

CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between **AMERICAN ALTERNATIVE INSURANCE CORPORATION**, hereinafter referred to as **AMERICAN ALTERNATIVE**, and the **OFFICE OF INSURANCE REGULATION** of the **FINANCIAL SERVICES COMMISSION**, within the **DEPARTMENT FINANCIAL SERVICES**, hereinafter referred to as the **OFFICE**. Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the **OFFICE**, hereby finds as follows:

1. The **OFFICE** has jurisdiction over the subject matter of, and parties to, this proceeding.
2. **AMERICAN ALTERNATIVE** is a foreign property and casualty insurer authorized to transit insurance business in

Florida and is subject to the jurisdiction and regulation of the OFFICE pursuant to the Florida Insurance Code.

3. The OFFICE conducted a property and casualty market conduct examination of AMERICAN ALTERNATIVE covering the period of January 1999 through May 2001, pursuant to Section 624.3161, Florida Statutes. As a result of such examination, the OFFICE determined that AMERICAN ALTERNATIVE committed the following violations of the Florida Insurance Code or Florida Administrative Code as outlined in the fine worksheet provided with the Report of Examination Findings:

a. Workers' Compensation

1. Section 627.191, F.S.-Failure to Audit Policy and Return Premium Timely.
2. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.
3. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline FCCPAP Credit.
4. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Class 8810.
5. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Employers Liability.
6. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Drug Free Credit.
7. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or

Underwriting Guideline-Incorrect
Classification.

8. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or underwriting Guideline-Premium Discount.
 9. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Experience Modification Factor.
 10. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Mandatory Deductible Offer.
 11. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Benefits Deductible Endorsement.
 12. Section 626.9541, F.S.-Failure to Comply with Unfair Trade Practice Requirements-Waiver of Right.
 13. Section 626.9541, F.S.-Failure to Comply with Unfair Trade Practice Requirements-Inspection Fees.
- b. Agents/MGA
1. Rule 4-189.003, Failure to Use Proper Workers' Compensation Application.
 2. Section 626.741, F.S.-Use of Unlicensed Nonresident Agent.
 3. Section 627.4085, F.S.-Failure to Display Agent Name/License ID# or Insurer Name on Application.
 4. Section 627.318, F.S.-Failure to Maintain Records-Application.
 5. Section 626.112, F.S.-Use of Unlicensed and Unappointed Agent.

6. Section 624.425, F.S.-Failure to Properly Countersign/Obtain Power of Attorney.

c. Cancellations/Nonrenewals

1. Section 627.191, F.S.-Failure to Audit Policy and Return Premium Timely.
2. Section 627.4091, F.S.-Failure to Provide Specific Reason for Denial, Cancellation or Nonrenewal.
3. Section 627.191, F.S.- Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Incorrect Return.
4. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.

d. Complaints

1. Section 626.9541, F.S.-Failure to Comply with Unfair Trade Practice Requirements-Managed Care Fees.

4. The OFFICE and AMERICAN ALTERNATIVE expressly waive a hearing in this matter and the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which the parties may be entitled by law. AMERICAN ALTERNATIVE hereby knowingly and voluntarily waives the rights to challenge or to contest this Order in any forum now available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

5. **AMERICAN ALTERNATIVE** agrees that upon the execution of this Consent Order it shall be subject to the following terms and conditions:

(a) **AMERICAN ALTERNATIVE** shall pay an administrative penalty of \$19,500 and administrative costs of \$2,000 on or before the 30th day after this Consent Order is executed.

(b) **AMERICAN ALTERNATIVE** shall henceforth comply with all of the provisions of the Florida Insurance Code and Florida Administrative Code, and implement policies and procedures that will preclude the recurrence of the violations contained in this Examination Report. These policies and procedures shall be made available to the **OFFICE** for review upon request. Within 90 days after execution of this Consent Order, **AMERICAN ALTERNATIVE** shall both implement recommendations contained in this Report of Examination, and identified below, and submit confirmation, in writing, to the **OFFICE** that all directives contained in the report have been met, including all refunds.

(c) **AMERICAN ALTERNATIVE** is hereby placed on notice of the requirements of the above referenced sections of law and that any future violations of these sections by **AMERICAN ALTERNATIVE** may be deemed willful.

6. **AMERICAN ALTERNATIVE** agrees that the failure to adhere to one or more of the above terms and conditions of this order shall constitute a violation of a lawful order of the **OFFICE**,

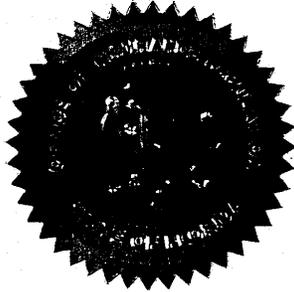
and may subject **AMERICAN ALTERNATIVE**, to such administrative action as the **OFFICE** may deem appropriate.

7. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

8. **THEREFORE**, the agreement between **AMERICAN ALTERNATIVE INSURANCE CORPORATION** and the **OFFICE**, the terms and conditions of which are set forth above, is approved.

FURTHER, all terms and conditions above are hereby **ORDERED**.

DONE AND ORDERED this 15TH day of OCTOBER, 2003.



KEVIN M. McCARTY, DIRECTOR
Office of Insurance Regulation

By execution hereof **AMERICAN ALTERNATIVE INSURANCE CORPORATION** consents to entry of this Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. I am authorized to execute this document.

AMERICAN ALTERNATIVE INSURANCE CORPORATION

By: Albert J. Beer
Title: President
Date: August 8, 2003

COPIES FURNISHED TO:

MR. ANTHONY J. KUCZINSKI, PRESIDENT
American Alternative Insurance Corporation
555 College Road East
Princeton, New Jersey 08543-5212

JOE FINNEGAN, BUREAU CHIEF
Division of Insurer Services
Bureau of Market Conduct
200 East Gaines Street
Tallahassee, Florida 32399-4210

CHERYL C. JONES, AIE
Field Insurance Regional Administrator
Division of Insurer Services
Bureau of Market Conduct
200 East Gaines Street
Tallahassee, Florida 32399-4210

S. STROM MAXWELL, ESQUIRE
Department of Financial Services
Division of Legal Services
612 Larson Building
200 East Gaines Street
Tallahassee, Florida 32399-0333