

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

AMERICAN INSURANCE COMPANY (THE)

AS OF

NOVEMBER 5, 2005

NAIC COMPANY CODE: 21857



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of The American Insurance Company was performed by Thomas Howell Ferguson P.A. The scope of this examination was June 1, 2004 through September 29, 2005. The examination began October 24, 2005 and ended October 28, 2005.

The purpose of this examination was to validate the completeness, accuracy and timeliness of reporting Professional Liability claims as required by Section 627.912, Florida Statutes.

In conducting the review, three tests were performed; Completeness, Accuracy and Timeliness. The Completeness test compares the total number of claims closed during the scope period that should have been reported to closed claims that were actually reported. The Accuracy test compares the information required to be reported to the Office to the information contained in the company's claim file. This test was only conducted on a sample of those claims closed during the scope period and actually reported. The Timeliness test compares the date the claim should have been reported to the Office to the date the claim was actually reported. This test was only conducted on those closed claims actually reported within the scope period. The Timeliness test may include closed claims reported during the scope period but actually closed prior to the scope period. However, because they were not closed during the scope period, such claims would not be included in either the Completeness or Accuracy test.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company. The files examined were selected systematically from data files provided by the Company using Microsoft Excel's "random sample" selection process. Procedures and conduct of the examination were in accordance with the Market Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

The American Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida. The Company provides professional liability insurance in the State of Florida.

Total Direct Premiums Written in Florida for Professional Liability are broken down as follows:

Year	Total Written Premium (Florida)
2004	\$881,675

The Company had eight (8) Professional Liability claims open as of April 1, 2004, which were subject to Section 627.912, Florida Statutes, and which will need to be reported upon closure as required by the Statute.

Eighteen (18) closed claims were reviewed and were found not to be subject to the reporting requirements of Section 627.912, Florida Statutes.

CLAIMS REVIEW

Findings

Completeness Test

The Completeness test compares the total number of claims closed during the scope period that should have been reported to closed claims that were actually reported. There were no claims closed during the scope period that were subject to the reporting requirements of Section 627.912, Florida Statutes.

Accuracy Test

The Accuracy test compares the information required to be reported to the Office to the information contained in the company's claim file. The Accuracy test can only be conducted on those claims closed during the scope period and actually reported. Two (2) closed claims were reported during the scope period. However, the two claims reported were claims for Fireman's Fund Insurance which were incorrectly reported by American Insurance Company. They were considered for Accuracy in reporting but because they are not claims of American Insurance Company, they were not considered in the Completeness or Timeliness testing.

Two (2) closed claims were reviewed.

Two (2), or 100%, of the claims reviewed were incorrectly reported.

Two (2) errors were due to failure to accurately report closed claims. The American Insurance Company incorrectly reported two claims to the Office under the name Fireman's Fund Insurance Company. This is considered a reporting error.

Corrective Action: The Company should amend the reports for Fireman's Fund Insurance Company to remove these two claims and report the claims in name of The American Insurance Company.

Timeliness Test

The Timeliness test compares the date the claim should have been reported to the Office to the date the claim was actually reported. The Timeliness test can only be conducted on those closed claims actually reported within the scope period. The American Insurance Company reported no claims to the Office during the scope period.

SUMMARY OF FINDINGS

		Actually Reported	Errors
Total Population	18		
Completeness Test		0	0
Accuracy Test		2	2
Timeliness Test		0	0

EXAMINATION FINAL REPORT

The Office hereby issues this report as the Final Report, which is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.