

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

AMSTAR INSURANCE COMPANY
(MAPFRE INSURANCE GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

DATE FILED: 08/22/03

TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	PRE-EXAM REVIEW OF COMPANY WRITINGS	2
III.	COMPANY OPERATIONS/MANAGEMENT	3
IV.	REVIEW OF POLICIES	
A.	PRIVATE PASSENGER AUTOMOBILE	6
V.	AGENTS/MGA REVIEW	8
VI.	CANCELLATIONS/NONRENEWALS REVIEW	9
VII.	CLAIMS REVIEW	10
VIII.	COMPLAINTS REVIEW	11
IX.	EXHIBITS	17

I. INTRODUCTION

Amstar Insurance Company (Company) is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this market conduct examination. The scope of this examination was January 2000 through July 2001. The examination began August 26, 2001 and ended October 13, 2001. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded on January 29, 1999.

The prior examination report reviewed private passenger automobile policies. Violations cited included failure to apply fifteen (15%) percent renewal discounts and incorrectly applying a five (5%) percent renewal discount.

This target examination was called due to a high volume of consumer complaints. The examination included verification of compliance with Florida Statutes and Administrative Rules.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 2000 through July 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 advised 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

Amstar Insurance Company's home office is located at 3401 82nd Avenue, Miami, FL 33122. Amstar Insurance Company (Amstar) is 100% owned by Mapfre Corporation. The Mapfre Insurance Group was formed in 1989 as a joint venture between Amstar Insurance Company and Mapfre Insurance Company of America, Inc. (MICA). Amstar was owned by Amstar Holding Company, which in turn was owned by members of its management team and Mapfre America S.A. of Spain. MICA was owned exclusively by Mapfre Corporation of Florida, Inc. (Mapfre Corporation), which in turn was owned by Mapfre America, formerly Mapfre Internancional. On June 30, 1994, both companies merged under the ownership of Mapfre Corporation. Currently, Mapfre America owns 100% of Mapfre Corporation.

Amstar Insurance Company and Mapfre Insurance Company of America, Inc., had been operating under an intercompany pooling agreement until January 1, 2001, when the agreement was terminated, allowing MICA to prepare for future endeavors in other lines of business.

Amstar Management Company is a licensed and appointed managing general agent (MGA), located at the same address as the Company. However, Amstar does not operate through the MGA. They do not charge the \$25 MGA fee normally associated with MGA.

The Company's non-standard private passenger automobile business is produced by appointed independent agents. They maintain a staff of in-house adjusters with two in-house appraisers. Independent outside appraisers are also used due to the volume of claims. The Company does maintain a web site, WWW.Amstar.net, which can be used by agents to quote and bind coverage and

by insureds to access policy information, billing information, submit payments and report claims.

B. MANAGEMENT

The Company's computer system is a Phoenix TM from Allenbrook, Inc. The Phoenix TM database is managed by a Microsoft SQL Server 7 relational database. The Company is in the planning stages of a project to change from Phoenix to another insurance application package developed by their holding company in Spain, MAPFRE. The name of the application is Tronador and it uses Oracle as its database manager. The change is to be completed by the third or fourth quarter of 2002.

The Company's Anti-Fraud Plan has been filed with the Florida Department of Insurance, Division of Fraud. The Company has established and maintains a fraud unit with a full time fraud investigator in compliance with Section 626.9891, Florida Statutes. Their web site contains several articles of what the Company is doing to eliminate fraudulent claims.

The Company has developed a written Disaster Plan with individuals designated to perform certain tasks to keep the Company operational and functioning during a disaster.

The Company's Internal Audit Program is centralized in Puerto Rico and uses the Internal Audit Unit according to the Mapfre Group guidelines. Each year different departments, procedures and any other elements are audited.

The Company has a Privacy Plan in place and has sent notices to their vendors/insureds in compliance with the Gramm-Leach-Bliley Act and the Florida Department of Insurance Emergency Rule 4ER01.

C. OPERATIONS

The Company obtained new management as of January 2001. The Company writes a non-standard private passenger automobile business throughout the State, with the majority being located in Dade and Broward Counties. Amstar's marketing strategy for 2001 was based on the restructuring of its agency for seeking a stronger relationship with its active agents. This strategy reduced the agency force by 47% through 2001. The Company anticipated little or no premium growth during the year, however, actual premium increased heavily during this period.

This unexpected growth in premium is believed to be due to current market conditions and the Company's competitive position. Substantial changes were made to its rates and rules as of September 1, 2000, in order to reverse the trend of unprofitable underwriting results. The overall rate increase for the September 1, 2000 was approximately 3%. This increase together with a rate decrease of 1.8% in January 2000, resulted in a minimal rate change during the year. During this same period of time competitors increased their rates substantially and some companies stopped writing private passenger automobile in the State of Florida.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Amstar Insurance Company independently files rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

Amstar Insurance Company is a subscriber of Insurance Services Offices (ISO) and as such ISO is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

National Association of Independent Insurers acts as the Company's official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
2000	\$20,253,266	14,797
2001	\$17,728,741*	18,307*

*Note: Figures are as of 7/31/01

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

V. AGENTS/MGA REVIEW

Ten (10) applications/policies written during the scope of examination were examined.

Four (4) errors were found.

None of the errors affected policy fees.

The errors are broken down as follows:

1. Four (4) errors were due to failure to display agent's name/license ID number on the application. This constitutes a violation of Section 627.4085, Florida Statutes.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Twenty-two (22) errors were found.

Four (4) errors resulted in underreturns totaling \$5.00 and three (3) errors resulted in overreturns totaling \$3.00.

The errors are broken down as follows

1. Nine (9) errors were due to failure to comply with return of unearned premium requirements. This constitutes a violation of Section 627.7283, Florida Statutes. The Company is not following their filed rounding rule. These errors resulted in three (3) overreturns totaling \$3.00 and four (4) underreturns totaling \$5.00.
2. Five (5) errors were due to failure to cancel in accordance with ab initio requirements. This constitutes a violation of Rule 4-167.002, Florida Administrative Code. The Company failed to file Form 4-493, Notice of Rescinded Policies.
3. Four (4) errors were due to failure to give a valid reason for the nonrenewal. This constitutes a violation of Section 627.728, Florida Statutes. The Company's reason for nonrenewal was the coverage was no longer written, when in fact it was.
4. Four (4) errors were due to failure to provide timely notice of cancellations. This constitutes a violation of Section 627.728, Florida Statutes.

VII. CLAIMS REVIEW

One hundred (100) claims were examined.

No errors were found.

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

VIII. 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 established by the Company. Complaint handling procedures are described in Exhibit

One hundred sixteen (116) consumer complaints received during the scope of examination were reviewed and findings are as follows:

A. DOI REFERRALS

	Consumer	Allegations	Violations	Comments
1	S0001 0062124	Cancel/Nonrenewal Nonpay	Y	Company's response dated 6/7/01 stated policy was not cancelled; system indicates that canx was eff. 6/5/01 but not processed until 8/11/01.
2	S0001 0037703	Claim delay/No response	Y	Claim delay- failure to ack timely. Clm rpted 8/28/01, bi adj., not assign until 9/14/01- insured contacted 10/3/01
3	S0001 0042425	Claim delay	Y	claim delay - failure to issue check timely. Loss rec'd 2/12/01, settlement offer accepted 3/5/01. Check to ins'd 3/29/01. 24 days to tender check after offer accepted.
4	S0001 10050615	Claim delay/No response	Y	Claim delay.loss rec's 2/9/00. Total loss -ins'd kept salvage. Co obtained & returned unbuildable title to ins'd on 3/21/00. Ins'd can't register or get tag with this type title. Log notes 1/15/01 indicates that company wanted ins'd to correct their mistake. Ins'd made several phone calls to company. Nothing in file until 3/7/01 where adj log note states for 3rd time explained to ins'd. Log Note 7/9/01 indicates still waiting for title from DMV. Co took from 3/9/00 to present (8/29/01-17 mths) and still no rebuildable title.
5	S0001 0050572	unsatisfactory settlement	N	Ins'd did not return wage form timely.
6	S0001 0062832	claim delay	Y	rpt 8/28/01, clm initiated 9/14/01 offer made and accepted by atty 10/12/00.
7	S0001 0066580	company delay no response	N	policy reinstated 4/26/01 processed 7/5/01 after receipt of money from premium finance company
8	S0001 007843	unsatisfactory settlement	N	company paid supplement after doi involvement.
9	S0102 0005132	company information	N	company responded after doi involvement.
10	S0102 0004309	premium refund	N	insurd canx renewal policy. Premium fully earned
11	S0102 0006965	claim handling delay	Y	company rec'd theft loss 6/29/01. Veh recovered same day and being repaired. also requested police rpt on 6/29/01 but did not rec'd until 8/27/01 log notes indicates that co promised to send theft affidavit on 8/3 but wasn't mailed until 8/13/01. as of 9/20/01 file still open (83 days) approx. 3 mths and on going.
12	S0001 0062972	claim handling delay	Y	failure to pay in accordance with contract. Date of loss 11/13/00 - paid supplement 6/14/01 after doi involvement & reviewed file and found error. (7

				months to settle)
13	S0001 0036588	claim handling delay	N	paperwork had to be sent second time as ins'd did not rec. first set.
14	S0001 0033837	claim handling delay	N	Amstar pd. GEICO's subro. Amstar awaiting documentation from claimant to review/pay diminished value claim.
15	S0001 0040469	comparative negligence	N	claimant did not accept 50% liab off. His co. GEICO has filed for Arb.
16	S0001 0038943	unsatisfactory settlement	N	3rd party - negotiating acceptable offer.
17	S0001 0050508	claim handling delay	N	insured changed address and mail was not rec'd from co.
18	S0001 0050162	company delay no response	N	Due to numerous discrepancies claim referred to SIU. Dol 11/20/00; pd.7/5/01
19	S0001 0049623	premium issue	N	out of state info no furnished with app.policy surcharge, but removed when info rec'd
20	S0001 0053538	claim handling delay	N	mail to claimant returned insufficient address. Dol 3/18/01 ; ck sent 4/18/01
21	S0001 0061407	claim handling delay	N	claimant rec'd \$4279.14 5/9/01. Same claimant as item #16
22	S0001 0061883	claim handling delay	Y	dol 3/7/01. 4/18/01 still no PR rpt. Offer made and accepted by insured 5/10/01. Amstar rec'd GOTL 5/11/01; 5/29/01 ins'd required to provide PR. Diaried for6/19/01; rediaried for 7/18/01
23	S0001 0064681	claim handling delay	Y	shop made repair based on original estimate - did not receive corrected estimate. Check for difference sent to insured 8/23/01
24	S0001 0063160	claim denial	N	policy was cancelled due to termination of agent eff. 11/11/00. Dol 4/7/01 would not be covered.
25	S0001 0061694	cancel/Nonrenewal underwriting	N	policy cancelled due to incomplete appl. Needed to underwrite the policy
26	S0102 0003228	claim denial	N	policy was reinstated
27	S0102 0005274	company information	Y	Policy eff. 4/29/01. Not delivered until 8/22/01; 115 days to issue & deliver policy
28	S0001 0038223	claim handling delay	Y	this is property damage to a dwelling. loss received 10/13/00, damaged appr.10/18/00; appr rpt received 10/30/00, insu'd got appr frm contractors; appr final rpt 11/24/00 (first rpt \$2239.05, final rpt \$4975.43. Company wanted repairs validated - appragreed figure with insured and contractor 12/1/00 for \$4715.11; check sent to insured 2/6/01; 4 months to pay claim.
29	S0001 0040907	coverage question	N	appears to be a communication problem between company and agent
30	S0001 0056325	cancel/nonrenew non-pay	N	nonrenewed due to agent no longer representing co. balance due co.
31	S0001 0046476	claim handling delay	N	15% deduction on collision claim was taken due to the delays in releasing the vehicle. This is questionable? The PIP reduction and denied charges were due to Paper Review for UCR and improper coding.
32	S0001 0061154	premium refund	N	premium finance co request for canx; any refund would have gone to pfc.
33	S0001 0062525	claim handling delay	Y	dol 4/24/01; PR received 6/25/01; final supplement paid 8/8/01; 4 mths to pay PD claim.
34	S0001 0060744	premium refund	Y	original check issued 6/5/00 never received. Stop payment and reissued 4/6/01. A year to make refund too long
35	S0001 0064486	premium issue	N	policy active as premium received within canx date.
36	S0001 0064669	cancel/nonrenewal non-pay	N	nonpayment of premium resulted in cancellation
37	S0001 0062764	claim denial	N	police report not theft but permissive user. Collision coverage denied due to damage was maintenance related.
38	S0001 0068435	claim handling delay	N	agree
39	S0001 0068427	premium issue	N	nonpayment of premium resulted in cancellation; insured owed Amstar balance which was written off.
40	S0102 0001795	claim handling delay	N	dol 5/19/01 liab clear on insured. Claimant made claim 8/6/01; will pay claim upon receipt of his

				estimate.
41	S0102 0005052	claim handling delay	Y	dol 7/22/01; paid 8/23/01; Appr.assigned 7/23
42	S0102 0005866	coverage question	N	60 days to underwrite policy
43	S0102 0006830	claim handling delay	N	dol 5/31/01; check sent 6/21/01; supplement checks 8/10/01
44	S0001 0038215	claim handling delay	Y	dol 10/3/00; 11/7/00 SIU investigating and awaitig receipt of theft rpt, recovery rpt, fire rpt and appraisal/photo; atty accepted settlement 8/32/01 : 10 mths seems long even with SIU investigation
45	S0001 0048555	claim handling delay	Y	dol 12/16/00; siu investigation show no involvement with theft, but claim was not processed for payment until 5/7/01; 5mths too long even with siu
46	S0001 0052583	claim handling delay	Y	civil remedy notice 5/23/01. Dol 2/17/01; claim still being worked; requesting R/S as of 8/28/01; too long-5mths and on going.
47	S0001 0057298	claim handling delay	Y	Took from 4/24/01 to 6/11/01(48 days) to determine cov and that liab was clear. Paid collision clm 6/12/01
48	S0001 0061348	claim handling delay	N	dol 4/28/01; doi request 6/11/01; paid 6/11/01; coll no injuries
49	S00010062723	unsatisfactory settlement	Y	failure to communicate with doi timely.f failure to pay labor forrepairs
50	S0001 0063740	underwriting issue	Y	ins'd paid initial premium; no policy or ins.cards for 3mths; ins'd did not make payment to prem.fin.; company cancelled for nonpay 7/5/01
51	S0001 0067953	company delay no response	N	consumer is atty. No name or policy no.for insured - unable to locate.
52	S0001 0042977	company delay no response	Y	failure to communicate with doi timely. Failure to contact ins'd timely.
53	S0001 0047991	claim problem not listed	N	Dr would not give disability cert. For wage loss
54	S0001 0045339	unsatisfactory settlement	N	faulty airbag should be covered under warranty not auto policy.
55	S0001 0059561	claim handling delay	N	Agree
56	S0001 0058026	claim problem not listed	N	Agree
57	S0001 0060518	premium issue	N	Agree
58	S0001 0066276	claim handling delay	N	Agree
59	S0001 0067078	claim handling delay	Y	complained about phone. Check was mailed late (32 days after agreement)
60	S0001 0069070	claim problem not listed	N	3rd party seeking ded - ins'd did not rpt acci
61	S0001 0063264	claim handling delay	N	Agree
62	S0102 0002971	claim handling delay	N	3rd party, claimant advised she would have her co. (GEICO) to repair her veh. Then changed her mind.
63	S0102 0006048	claim handling delay	N	3rd party, claim rpt'd 7/19/01 claimant was not contacted until 8/22/01 - 37 days later.
64	S0001 0036059	claim handling delay	N	claim was paid in 14 days after company rec'd notice of loss
65	S0001 0046694	claim handling delay	N	Agree
66	S0001 0046716	company delay no response	N	Agree
67	S0001 0048917	premium issue	N	Agree
68	S0001 0050017	unsatisfactory settlement	N	Agree
69	S0001 0050122	claim handling delay	N	Agree
70	S00010047225	premium refund	N	Agree
71	S0001 0053732	premium issue	N	Agree
72	S0001 0055829	premium issue	N	Agree
73	S0001 0056430	claim handling delay	N	3rd party. Claim open 92 days
74	S0001 0058113	claim handling delay	N	company defended insured
75	S0001 0057523	coverage question	N	car was total loss after theft. Paper repo by lienholder
76	S0001 0059373	information requested	N	Agree

77	S0001 0060340	claim handling delay	N	Agree
78	S0001 0061175	claim handling delay	N	Agree
79	S0001 0064957	claim handling delay	N	Agree
80	S0001 0066291	claim handling delay	N	Agree
81	S0001 0066820	unsatisfactory settlement	N	Agree
82	S0001 0066299	claim handling delay	N	Agree
83	S0001 0068825	claim handling delay	N	Agree
84	S0102 0001303	cancel/nonrenew non-pay	N	Agree
85	S0001 0069381	company delay no response	N	Agree
86	S0001 0069374	claim handling delay	N	Agree
87	S0102 0001067	claim handling delay	N	Agree
88	S0102 0000530	claim problem not listed	N	Agree
89	S0102 0001370	claim handling delay	N	Agree
90	S0102 0007023	premium issue	N	Agree
91	S0001 0034917	claim problem not listed	Y	estimate done, check issued for \$1865.59. Ins'd had veh. Repaired for \$1300. Adj. Stopped payment on check and reissued at \$1300 less 500 ded for a total of \$900 dollars.
92	S0001 0042850	claim handling delay	Y	3rd party claim. Claimant call in loss 1/12/01. PR rec'd 1/25/01. Estimate rec'd 1/25/01. Next log note 2/23/01 approx. 1 mth later. Ck issued 3/4/01
93	S0001 0041274	coverage question	N	Insurd's total PIP bills were \$4862.57. Co.paid \$1923.20. Peer review done which resulted in less than 80%. Co. paid 80% plus interest. Policy has \$2000 ded and no med pay
94	S0001 0044114	claim handling delay	N	Agree
95	S0001 0051282	claim handling delay	N	Agree
96	S0001 0054244	coverage question	N	Agree
97	S0001 0055399	claim handling delay	N	Agree
98	S0001 0058737	claim handling delay	N	Agree
99	S0001 0062191	claim handling delay	N	Agree
100	S0001 0062786	cancel/nonrenew-other	N	Agree
101	S0001 0063531	coverage question	N	Agree
102	S0001 0063346	company delay no response	N	Agree
103	S0001 0069555	cancel/nonrenew non-pay	N	Agree
104	S0001 0065600	claim problem not listed	N	Agree
105	S0001 0031370	company delay no response	N	Agree
106	S0001 0036315	claim handling delay	N	Agree
107	S0001 0037175	claim handling delay	N	Agree
108	S0001 0038358	claim handling delay	Y	69 days to settle veh total loss; loss was due to fire from electrical short
109	S0001 0035316	agent handling	Y	This is a 1999 policy which was canx with 43 days notice
110	S0001 0047242	claim handling delay	Y	67 days to settle PD for 3rd party
111	S0001 0053877	claim handling delay	Y	28 days to settle comp claim due to water damage from flooded streets
112	S0001 0058029	unsatisfactory settlement	Y	92 days is too long for PD claim Adjuster told her to call other company.
113	S0001 0063226	low evaluation of damages	N	Agree

114	S0001 0066244	claim handling delay	N	veh stolen 5/7/01 co. wanted to do EUO, but decided it would not be economical. No activity on file since 8/30/01.(2wks) No response to DOI
115	S0102 0002006	company delay no response	N	Agree

Twenty-nine (29) errors were found.

None of the errors affected payments.

The errors are broken down as follows:

1. Twenty-one (21) errors were due to failure to acknowledge and act promptly upon communications with respect to claims. This constitutes a violation of Section 626.9541(i)(3)(c), Florida Statutes.
2. Four (4) errors were due to failure to deliver policies timely. This constitutes a violation of Section 627.421, Florida Statutes.
3. Three (3) errors were due to failure to provide timely notices of cancellation. This constitutes a violation of Section 627.728, Florida Statutes.
4. One (1) error was due to failure to pay a claim timely. This constitutes a violation of Section 627.4265, Florida Statutes.

B. COMPANY RECEIVED COMPLAINTS

The Company does not currently maintain informal complaints. Only complaints received from the Florida Department of Insurance are logged and maintained. This constitutes a violation of Section 626.9541(1)(i).

The results of the complaints review indicates a general compliance with Florida Statutes except as related to the handling of claims. The Company is requested to submit a plan of corrective action to bring the Company into compliance within ninety (90) days of the receipt of this examination report. The plan should address

telephone and adjuster case load procedures, as well as any other issues affecting timely and accurate payments of claims.

X. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
----------------	-----------------------

SUMMARY OF CLAIM PROCEDURES

I
