

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

FAR WEST INSURANCE COMPANY
(AMWEST INSURANCE GROUP, INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 7/11/01

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I. INTRODUCTION

Far West Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this target property and casualty market conduct examination, January 1, 2000 through June 8, 2001. The examination began May 29, 2001 and ended June 16, 2001. This is the first property and casualty market conduct examination of this insurer, by the Florida Department of Insurance.

The purpose of the examination was to review cancellations/nonrenewals of commercial automobile, homeowners and mobile homeowners policies to determine if they were being cancelled or nonrenewed in accordance with Florida Statutes.

During this examination, records reviewed included cancellations, nonrenewals, proofs of mailing and declaration pages.

This report contains examination results addressing all areas of noncompliance found during the course of the examination.

II. PRE-EXAM REVIEW OF COMPANY WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

The Certificate of Authority/Renewal Invoices was 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

Far West Insurance is a wholly owned subsidiary of Amwest Surety Insurance Company. Far West Insurance Company markets property and casualty insurance principally through its licensed and appointed Managing General Agent, AIB Insurance.

As part of an agreement reached between Amwest Surety Insurance Company, Far West Insurance Company and the State of Nebraska Department of Insurance, Far West Insurance Company began nonrenewing all homeowners and mobile homeowners policies in all states in which they are authorized to write. Far West Insurance Company notified the Florida Department of Insurance of its intent to withdraw from the state pursuant to Section 624.430, Florida Statutes.

The reinsurance company for Far West Insurance Company cancelled all reinsurance for homeowners, mobile homeowners and commercial automobile policies as of June 30, 2001. In view of this, Far West Insurance Company made the decision to cancel all commercial automobile policies as of June 30, 2001.

Far West Insurance Company has been working with the Florida Department of Insurance to sell its homeowners and mobile homeowners business to another insurer. The Company plans to continue to write surety insurance in Florida. Exhibit I.

IV. CANCELLATIONS/NONRENEWALS REVIEW

Sixty (60) cancelled/nonrenewed policies were examined.

Thirty (30) errors were found.

None of the errors affected premium calculations.

The errors are broken down as follows:

1. Thirty (30) errors were due to failure to provide a timely notice of cancellation on commercial automobile policies. This constitutes a violation of Section 627.4133, Florida Statutes. Due to the loss of reinsurance the decision was made by the Company to mid-term cancel policies as of June 30, 2001 rather than assume 100% liability given the current status of the Company.

V. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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COMPANY OPERATIONS/ MANAGEMENT	I
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