

**FLORIDA DEPARTMENT
OF
FINANCIAL SERVICES**

**OFFICE OF INSURANCE REGULATION
BUREAU OF MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT EXAMINATION REPORT

OF

INFINITY INSURANCE COMPANY

AS OF

JUNE 25, 2004

NAIC COMPANY CODE: 22268

NAIC GROUP CODE: 3495

EXAMINER:

VICTOR M. NEGRON, AIE, FLMI

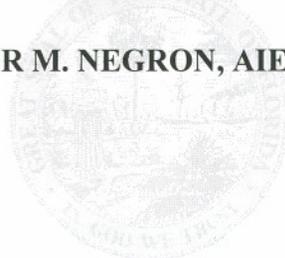


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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Florida Department of Financial Services, Office of Insurance Regulation, Bureau of Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of Infinity Insurance Company (Company) was performed by Victor M. Negron, AIE, FLMI, independent contractor. The scope of this examination was January 1, 2003 through June 18, 2004. The examination began June 1, 2004 and ended June 25, 2004. The last market conduct examination of this insurer by the Florida Office of Insurance Regulation (OIR) was concluded in November 2000.

The purpose of this examination was to review the issues leading to the consumer complaints received by the Florida Department of Financial Services, and to verify the Company's compliance with Florida Statutes and Rules.

In reviewing materials for this report, the examiner relied primarily on records maintained by the Company. The total population of complaint files was examined. Claim files were selected systematically from data files provided by the Company using Microsoft Excel's "random sample" selection process. Some audits normally done using sampling techniques were performed instead by the use of electronic means for sorting, filtering and calculating the total population of review areas during the scope of the examination. The examination report is a report by exception. As a result, files or material reviewed containing no improprieties by the Company have been omitted from the examination report. Procedures and conduct of the examination were in accordance with the Market Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

COMPLAINT HANDLING

The current examination encompassed a complete review of all complaints received by the Company. In addition, thirty-five (35) private passenger automobile claim files were included in the review.

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>In-Force Policy Count</u>
2003	\$4,276,803	3,053
2004*	\$3,392,994	2,623

* Projected annual premium estimation

Sample Findings

A complete record of all complaints received by the Company since the date of the last examination has been maintained as required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company.

Fifty-four (54) complaint and claims files were reviewed. Based upon the findings, the number of files reviewed was increased to include the total population of renewal policies, a total of 9,052 policies.

One hundred forty-seven (147) errors were found.

The errors are broken down as follows:

1. Four (4) errors were due to failure to communicate timely. These errors constitute a violation of Rule 69O-166.024, Florida Administrative Code. There were no attempts to communicate with the insured or claimant within fourteen (14) days of receiving a claim or communications with respect to a claim as required.

Corrective Action: The Company advised it would review the importance of timely contact and communications with its staff. The Company is to submit a letter, signed by an officer of the Company, confirming that corrective action was completed.

2. One (1) error was due to failure to pay a claim timely. This error constitutes a violation of Section 627.4265, Florida Statutes. The claim was paid 30 days after agreement as to the amount of the loss.
3. One hundred forty-one (141) errors were due to the Company adjusting renewal quotes. These errors constitute a violation of Section 627.728, Florida Statutes. This represents 1.6% of the 9,052 renewal policies issued during the scope of the examination. The Company states in its renewal premium notification to the insured that the renewal offer is based on information currently on file. The Company requests the insured to notify them of any violations or accidents and advises that a routine background check or driving record check may be made and the premium may increase based on the information obtained.

Corrective Action: The Company was requested to discontinue this practice and advised that if a Company wishes to re-underwrite a risk, it should be done prior to renewal, thus, providing an accurate renewal premium. The Company was also requested to produce a list of all affected policies since January 1, 2003, and refund any premium increase that was developed due to information obtained after the renewal quote. The Company was also requested to amend its renewal premium notice. The Company advised it has discontinued this practice and will refund \$17,227 to all one hundred forty-one (141) affected insureds. In addition, the Company advised it would amend its renewal premium notice. The Company shall provide the Office, within thirty (30) days of receipt of this examination report, written documentation supporting that the requested

corrective action has been taken and the accuracy of the documentation is to be certified by an officer of the Company.

4. One (1) error was due to failure to disclose information timely. This error constitutes a violation of Section 627.4137, Florida Statutes.

The review indicates that any inconsistencies noted were not substantive, and fell within generally acceptable margins. Therefore, the Company is adhering to Florida Statutes.

EXAMINATION REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged.

The undersigned examiner conducted the examination and prepared the draft report.

Respectfully submitted,

Victor M. Negron, AIE, FLMI
Independent Market Conduct Examiner