

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

AMERICAN PREMIER INSURANCE COMPANY
(ATLANTA CASUALTY COMPANIES)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 12/14/01

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I. INTRODUCTION

American Premier Insurance Company (Company) is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination, January 2000 through March 2001. The examination began March 11, 2001 and ended March 24, 2001. This is the first property and casualty market conduct examination of this insurer by the Florida Department of Insurance.

The purpose of this target examination was to review the handling of private passenger automobile claims. Specifically, it was due to numerous consumer complaints received by the Department regarding excessive delays in handling and payment, lack of communication, failing to respond to Department inquiries, and failure to provide all coverages available under the policy.

During this examination, records reviewed included claims and consumer complaints for the period of January 2000 through March 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 directed 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.

As a result of the findings of this examination, \$24.11 was returned to Florida consumers due to underpayments of claims.

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

American Premier Insurance Company was incorporated on November 30, 1989 under the laws of the State of Indiana and began writing business on December 10, 1990. Atlanta Casualty Company, a wholly owned subsidiary of the American Financial Group, holds all outstanding shares of stock. Claims and underwriting/processing functions operate out of three facilities in the Atlanta, Georgia area.

The underwriting activities of the Company are conducted under a management contract by Atlanta Casualty Group, Inc., a general agency owned by Atlanta Casualty Company. The agency works with agents in placing business with the Company. Marketing is accomplished via agency contracts utilizing independent agents. Writings for the Company are concentrated mainly on full coverage nonstandard personal automobile insurance.

B. MANAGEMENT

The Claims Department has established a Special Investigative Unit (SIU) to investigate all suspected claims fraud. The Internal Security Unit (ISU) has the primary responsibility of evaluating and resolving questionable activity involving an employee or agent of the company. In addition, the Company utilizes a unit called Agency Audit (A/A) to support the marketing department in monitoring the performance of independent agents, and to conduct detailed audits of specific agents and agencies when key indicators point to the possibility of fraud.

Financial and operational records of the Company are independently audited every year by Ernest & Young, corporate internal auditors, state insurance departments, and internal quality assurance audits.

American Premier archives all data off-site at a vault facility in the event of disaster.

Critical files for policy and claim processing reside on the UNISYS A19 mainframe, which is the primary computer system for the company.

C. OPERATIONS

Business is written in all areas of the State of Florida. The Company offers a 24 hour automated response system for billing and claims inquiries, as well as an automation package with upload and electronic funds transfer capabilities.

IV. CLAIMS REVIEW

One hundred (100) claims were examined.

Four (4) errors were found.

One (1) error resulted in an underpayment totaling \$24.11.

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

The errors are broken down as follows:

1. One (1) error was due to failure to act promptly upon communications with the claimant, specifically with respect to returning phone calls and time frame to settle the loss. This constitutes a violation of Section 626.9541, Florida Statutes. The Company advises that they had problems with phone lines and adjuster phone extensions at the time. Management advised these problems have been corrected. Exhibit II.
2. One (1) error was due to failure to pay a PIP medical payment within the required 30 days from the date the Company received notice of same. This constitutes a violation of Section 627.736, Florida Statutes. This error resulted in an underpayment of interest totaling \$24.11, which has been refunded by the Company.
3. One (1) error was due to failure to properly forward the automobile title on a total loss to the Division of Highway Safety and Motor Vehicles within 72 hours after the Company's receipt of same. This constitutes a violation of Section 319.30, Florida Statutes.
4. One (1) error was due to use of an unappointed adjuster. This constitutes a violation of Section 626.112, Florida Statutes.

V. 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 completely established by the Company. Complaint handling procedures are described in Exhibit III. Consumer complaints received during the scope of examination were reviewed and findings are as follows:

1. One (1) error was due to failure to properly handle a claim. This constitutes a violation of Section 626.9541, Florida Statutes. The Company advises that this is a result of employee turnover, computer and communications changes due to moving the Company office, and an increased volume of business. Management advised the problems have been corrected and the Company has increased the adjuster staff in Florida. Exhibit II.

A. DOI REFERRALS

<u>REFERRAL #</u>	<u>ALLEGED VIOLATION</u>	<u>VIOLATION</u>
S-0001-0005352	Failure to act promptly	626.9541

B. COMPANY RECEIVED COMPLAINTS

American Premier Insurance Company was not maintaining a log of consumer complaints received directly from consumers. They have been directed to put procedures in place and begin keeping a complaint log.

One (1) error was due to failure to maintain a record of consumer complaints received directly from consumers. This constitutes a violation of Section 626.9541, Florida Statutes.

VII. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS HANDLING PROCEDURES	I
COMPLAINT HANDLING PROCEDURES	II
COMPANY RESPONSE TO CLAIM DELAYS	III