

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

AMERICAN STRATEGIC INSURANCE CORPORATION
(PHILADELPHIA INSURANCE GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 1/4/02

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I. INTRODUCTION

American Strategic Insurance Corporation is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1, 1998 through December 31, 1999. This examination began May 28, 2000 and ended July 8, 2000. This is the first examination of this insurer by the Florida Department of Insurance.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1998 through December 1999, 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.

II. PRE-EXAM REVIEW OF COMPANY'S 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. Error Percentages

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. REVIEW OF POLICIES

HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

American Strategic Insurance Corporation independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

American Strategic Insurance Corporation is a service purchaser of Insurance Services Office (ISO). In accordance with Section 627.410, Florida Statutes, the Company files some ISO forms. In addition, the Company does make some independent filings.

c. Statistical Affiliation

National Independent Statistical Services 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>
1998	\$ 8,627,366	14,597
1999	\$17,855,097	53,512

3. Exam Findings

One hundred (100) policy files were examined.

One hundred and sixteen (116) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. One hundred (100) errors were due to failure to display the Company's telephone number and purpose on the policy. The producing agent's number is on the policy but not the Company's or managing general agent. This constitutes a violation of Section 627.4131 , Florida Statutes
2. Sixteen (16) errors were due to failure to comply with the Unfair Trade Practice requirements. The Company does not send out a renewal notice, but does send a renewal policy along with a premium invoice. If the premium is not received on or before the effective date of the renewal policy, the Company issues a 10-day notice of cancellation for nonpayment of premium. This procedure

results in free insurance. This constitutes a violation of Section 626.9541, Florida Statutes.

IV. AGENTS/MGA REVIEW

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

Fifteen (15) errors were found.

None of the errors affected policy fees.

The errors are broken down as follows:

1. Ten (10) errors were due to failure to obtain a written Power of Attorney for countersigning agents. This constitutes a violation of Section 624.425, Florida Statutes.
2. Five (5) errors were due to failure to display agent's name legibly on application. This constitutes a violation of Section 627.4085, Florida Statutes.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

One (1) error was found.

The error did not affect premium calculations.

The error is described as follows:

- 1 One (1) error was due to nonrenewal for “acts of God” losses. The Company cannot nonrenew for “acts of God” losses unless they can demonstrate that the insured has failed to take action reasonably necessary as requested by the insurer to prevent recurrence. Also, the Company does not currently have guidelines on file to allow cancellation or nonrenewal due to claim frequency. This constitutes a violation of Section 627.4133, Florida Statutes.

VI. CLAIMS REVIEW

Forty-six (46) claims were examined.

No errors were found.

The Company's internal claims handling procedures and reserving practices are described in Exhibit I. The Company does not have a written Claims Procedures Manual.

VII. 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 required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling Florida Department of Insurance (DOI) complaints have been established by the Company, however, there are no procedures established for complaints coming direct to the Company from other sources. Complaint handling procedures for Department of Insurance complaints are described in Exhibit II.

Ten (10) DOI consumer complaints received during the scope of examination were reviewed and findings are as follows:

The Company's responses to DOI were handled on a timely basis. The resolution of each complaint was in accordance with Florida Statutes and/or Florida Administrative Rules.

X. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS PROCEDURES	I
PROCEDURES FOR HANDLING COMPLAINTS RECEIVED FROM THE FLORIDA DEPARTMENT OF INSURANCE.	II