

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

INFINITY INSURANCE COMPANY  
(AMERICAN FINANCIAL GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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## I. INTRODUCTION

Infinity Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1997 through December 1999. The examination began September 9, 2000 and ended November 17, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1997.

The purpose of this target examination was to verify compliance with Florida Statutes and Rules.

During this examination, records reviewed included certificates of authority covering the scope of the examination, policies including the application and underwriting file, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1997 through December 1999, as reflected in the report.

The prior examination, which was completed in 1997, reviewed fifty (50) private passenger automobile policies and underwriting files. Four (4) errors were found. These errors were due to failure to follow the filed rating plan by applying incorrect rating factors. In the Agent/MGA review, ten (10) applications/policies were reviewed, and five (5) errors were found for failure to display agent's ID number on the application. In the Cancellation/Nonrenewal review, twenty (20) policies were examined. No errors were found. In the Claims review, twenty-seven (27) policies were examined, and five (5) errors were found. Two (2) errors were due to failure to pay claims in a timely manner; one (1) error was due to failure to pay interest on an over due payment; one (1) error was due to failure to affix the fraud statement to a claim form; and one (1) error was due to failure to respond to a request for policy information.

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, \$359.00 was returned to Florida consumers due to overcharges of premium.

II. PRE-EXAM REVIEW OF COMPANY'S WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

The Certificates of Authority/Renewal Invoices were reviewed for all years within the scope of the examination.

2. Examination 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

Infinity Insurance Company originally began operation in Florida on September 28, 1978, under the name of Dixie Insurance Company and was formed as a Florida corporation with its offices in Tampa, Florida. On August 1, 1992, the current name of Infinity Insurance Company was adopted, and effective November 11, 1997, the Company ceased to be a Florida corporation when it re-domiciled to the State of Indiana as an Indiana corporation.

Infinity Insurance Company is affiliated in the State of Florida with Infinity Select Insurance Company.

Infinity Insurance Company limits its product in Florida to private passenger automobile insurance. The Company markets its product to the general public through independent agents it appoints throughout the State of Florida and does not use MGA's, General Agents, Exchange of Business, Direct Response, or the Internet in its marketing.

Infinity Insurance Company employs its own licensed adjusters, both telephone adjusters and field adjusters, to handle the greatest portion of its claims. Independent adjusters and/or outside adjusting companies are used only when a claim occurs in an area where there is no Company field adjuster.

Infinity Insurance Company employs the majority of its personnel in its Birmingham, Alabama office. There are no regional or branch offices, but the Company does maintain various claims offices employing claims personnel in areas where business is written.

B. Management

1. Company Computer System

Infinity Insurance Company operates two computer systems, one for premiums and one for claims. The two systems are tied together. Outside adjusters are linked to the system through laptop computers.

2. Anti-Fraud Plan

Infinity Insurance Company has filed an anti-fraud plan with the State of Florida.

3. Disaster Recovery Plan

Infinity Insurance Company has prepared an extensive disaster recovery plan to handle any type of emergency or natural disaster including continuing operations at another site if required. This separate site has already been established and equipped. Computer tapes are backed up on a daily basis and stored off premises, and a backup computer can be obtained within twenty-four (24) hours to replace the Company's mainframe if needed.

4. Internal Audit

Infinity Insurance Company, in addition to performing some of its own operational audits, employs an outside auditing firm to conduct its internal audits and make recommendations to management.

C. Operations

Infinity Insurance Company specializes in and writes non-standard automobile insurance coverages in the State of Florida. As noted previously in this document, marketing is done through independent insurance agents who represent a number of companies. The Company accepts all risks that fall within the parameters outlined in its underwriting manual.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Infinity Insurance Company does file rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

Infinity Insurance Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

The National Association of Independent Insurers (NAII) 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>
1997	\$22,395,258	24,557
1998	\$31,997,906	30,009
1999	\$19,109,629	19,952

3. Examination Findings

One hundred (100) policy files were examined.

Thirty-three (33) errors were found.

Errors affecting premium resulted in eleven (11) overcharges totaling \$359.00.

The errors are broken down as follows:

1. Ten (10) errors were due to failure to provide safety device discounts. These errors resulted in overcharges totaling \$291.00, which have been refunded by the Company. This constitutes a violation of Section 627.0653, Florida Statutes.
2. One (1) error was due to failure to follow the filed rate, rating schedule, rating rule or underwriting guideline. An additional vehicle did not receive the extra vehicle (EV) rate. This error resulted in an overcharge of \$68.00, which has been refunded by the Company. This constitutes a violation of Section 627.0651, Florida Statutes.
3. Two (2) errors were due to failure to provide UM coverage with the same limits as the BI limits of liability in absence of a signed UM acceptance/rejection form. This constitutes a violation of Section 627.727, Florida Statutes.

4. One (1) error was due to failure to provide UM coverage with the same limits as the BI limits of liability as selected on the signed UM acceptance/rejection form. This error did not affect premium. This constitutes a violation of Section 627.727, Florida Statutes.
5. Eighteen (18) errors were due to use of unfiled UM acceptance/rejection forms on renewal notices. None of the errors affected premium. This constitutes a violation of Section 627.727, Florida Statutes.
6. One (1) error was due to failure to file underwriting guidelines. This error did not affect premium. This constitutes a violation of Section 627.0651, Florida Statutes.

Note: The examination process revealed that the Company does not have a system in place to apply the various safety device discounts to vehicles equipped with anti-lock brakes, air bag(s), and/or anti-theft devices . The examination further revealed that the Company only applied these discounts to a qualified vehicle when the applicant indicated on the application that the vehicle being insured was equipped with such devices. No safety device discounts were given without an applicant's or agent's request to do so. The Company does not have at this time any means available of verifying which vehicles are eligible for the various safety device discounts and the Company will continue to only provide the various discounts when such discounts are indicated on the insurance application. It is the Company's position that in many instances the safety devices are modified by individuals or technicians by adding on/off switches and that many air bags are not replaced after an accident when the air bag has inflated. Without an acceptable process in place by which the Company is able to identify which vehicles are eligible for these safety device discounts, the Company will continue to overcharge certain insureds who do not declare on the application the safety device discounts applicable to their respective vehicles. Of the one hundred (100) policies reviewed, eighteen (18) had safety device discount(s) applied. In all eighteen (18) cases, the applicant or agent requested these discounts.

This procedure does not afford the Company the means to comply with the statutory requirement of providing discounts for safety devices. In view of this, the Company is directed to submit a plan, in writing, to the Department which will enable them to provide discounts to all eligible insureds. This plan must be submitted

within thirty (30) days of receipt of the examination report. See Pending Issues section.

V. AGENTS/MGA REVIEW

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

One (1) error was found.

The error did not affect policy fees.

The error is described as follows:

1. One (1) error was due to failure to license/appoint agency employees. This constitutes a violation of Section 626.733, Florida Statutes.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

No errors were found.

VII. CLAIMS REVIEW

Fifty (50) claims were examined.

No errors were found.

Claims handling procedures 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 been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company. Complaint handling procedures are described in Exhibit II.

IX. PENDING ISSUES

The Company is directed to submit a written plan to ensure that all eligible insureds receive discounts for safety devices. See Private Passenger Automobile section. This must be submitted to the Department of Insurance within 30 days of receipt of this examination report.

X. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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CLAIMS HANDLING PROCEDURES	I
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COMPLAINT HANDLING PROCEDURES	II
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