

2002 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

**ATLANTA CASUALTY INSURANCE COMPANY
(ATLANTA CASUALTY INSURANCE COMPANIES)**

BY

THE FLORIDA OFFICE OF INSURANCE REGULATION

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EXECUTIVE SUMMARY

Atlanta Casualty Insurance Company (Company) is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination. The scope of this examination was January 1, 2002 to December 21, 2002. The examination began November 20, 2002 and ended December 21, 2002. This is a follow-up target examination regarding claims handling delays as noted in the examination finalized March 28, 2002 and an increase in claims delay complaints received by the Department.

A total of one hundred (100) files were examined for this Company with three (3) errors noted. The Company also provided a listing of all private passenger automobile PIP claims opened within the scope of the examination. This resulted in a review of three thousand six hundred and thirty-seven (3,637) PIP claims. The following represents general findings; however, specific details are found in each section of the report.

Files Reviewed – 100

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- One hundred (100) private passenger automobile claim files.

PIP Claims Reviewed – 3,637

- Three thousand six hundred and thirty-seven (3,637) PIP claims

Findings

- PIP Claims
 - The Company had 1,605 PIP claims open with no payment made as of November 12, 2002. Each claim would be carrying a reserve or may have PIP bills in the file awaiting payment.
 - The Company had three (3) errors in the review of the claim files and all three involved the late payment of PIP claims.

Corrective Actions

- The Company has been requested to review each open PIP claim with no payment shown as of November 12, 2002 and close the file, eliminating the reserve, or pay any owed PIP bills with interest.

The Company was requested to complete all corrective actions within 90 days of receipt of the examination report with written documentation provided to the Office of Insurance Regulation (Office) that the corrective action has been taken, including results. It is the examiner's opinion that the Company is understaffed in the area of handling PIP claims and should increase staff.

CERTIFICATE OF AUTHORITY – AUTHORIZED LINES

GENERAL COMMENTS

The Certificate of Authority and Renewal Invoices were reviewed for all years within the scope of the examination.

EXAM FINDINGS

The review included verification of the lines of business the Company was authorized to write during the scope of the examination versus those lines actually being written. It also included verification that notification requirements were met for any lines of business that were discontinued.

No errors were found.

COMPANY OPERATIONS/MANAGEMENT

HISTORY/MANAGEMENT

Atlanta Casualty Insurance Company was incorporated under the laws of Georgia on June 13, 1972, and commenced writing business on September 1, 1972. On December 31, 1993, the Company redomesticated from Georgia to Illinois.

Atlanta Casualty Insurance Company writes private passenger automobile insurance and is a wholly-owned subsidiary of Atlantic Casualty Insurance Companies Group. The home office is in Atlanta, Georgia. The Company maintains offices in Tampa, Orlando and Ft. Lauderdale, Florida.

COMPANY PROCESSES/STATISTICAL AFFILIATIONS

Computer System

The Company maintains a computer system linking all offices within one system. The Company maintains a LAN network and also provides off-site storage of back-up documents and information. All financial records are backed up and stored in the home office which is located in Birmingham, AL. The system used by the Company allows for claim file review as well as policy maintenance.

Anti-Fraud Plan

The Company has filed a Plan with the Florida Department of Financial Services, Division of Fraud, as required by Section 626.9891, Florida Statutes.

The Plan does meet the requirements by establishing a Special Investigation Unit. Several links are made on the computer claims system which automatically alert the SIU section to certain types of claims.

Disaster Recovery Plan

The Company has developed a Disaster Recovery Plan for use with Florida business. This plan allows for the Company to limit down time in the event of a disaster and to resume normal activities.

Internal Audit Procedures

The Company has developed Internal Audit Procedures for use in reviewing Florida business. The Company conducts internal audits at least twice annually. It also conducts random claim reviews on individual files.

Privacy Plan

The Company has developed a Plan to meet the requirements of Rule 4-128.005, and Rule 4-128.006, Florida Administrative Code. The privacy notice is printed and mailed with all new and renewal business.

Statistical Affiliations

The Company independently files its rules, rates and forms. It is also a member of Insurance Service Office (ISO).

Credit Reports

The Company does use Credit Reports as an underwriting tool. It is used as a tool in the underwriting of all policies that are not minimum limit policies. It is not the sole underwriting criteria on any file.

OPERATIONS/MARKETING

Marketing

The Company presently writes full coverage non-standard private passenger automobile insurance throughout the State of Florida.

Agents/Agencies/MGA/Exchange of Business/Direct Response/Internet/Adjusters and Claims Handling

All policy service is maintained and conducted at the Atlanta, Georgia office. Adjusters located in Florida, Georgia and Kentucky handle claims.

Lines of Business

The Company writes full coverage non-standard private passenger automobile insurance, as well as minimum limits coverage as required by statute within the State of Florida.

CLAIMS REVIEW

DESCRIPTION OF CLAIMS REVIEWED – NON-PPA/MEDICAL REVIEWS

Private passenger automobile claim types reviewed include: bodily injury, property damage, collision, comprehensive, uninsured motorists, underinsured motorists, medical payments and personal injury protection (PIP) coverages.

Examination Findings

One hundred (100) claims were examined.

Three (3) errors were found.

The errors are broken down as follows:

1. Three (3) errors were due to the failure to pay PIP claims in a timely manner. This constitutes a violation of Section 627.736, Florida Statutes. These errors were due to the Company paying PIP bills late. Interest was paid by the Company at the time of payment.

DESCRIPTION OF CLAIMS REVIEWED – PIP

A computer listing of all private passenger automobile PIP claims opened within the scope of the examination was requested for review.

Examination Findings

Three thousand six hundred thirty-seven (3,637) claims were examined.

There were sixteen hundred and five (1,605) claims open with no payments.

The examiner noted that several PIP claims had not been paid but remained open on the Company list of pending claims. The review indicated the following:

TIME FRAME	NO. OF PIP CLAIMS OPENED	NO. OF PIP CLAIMS W/O PAYMENT	PCT. OF OPEN CLAIMS W/O PAYMENT
01/01/02-03/31/02	1,202	129	11%
04/01/02-06/30/02	1,092	352	32%
07/01/02-11/12/02	1,343	1,124	84%
TOTALS	3,637	1,605	44%

Given the errors and the number of pending claims, a review of all PIP claims for the scope of the examination was conducted.

It should be noted that during this period of review, the Company undertook a computer migration which included the claims system. While manual processing of checks took place, the process was not able to keep pace with the number of claims being processed.

The computer conversion process was completed and, with computer systems in place again, the Company pursued the backlog.

The review covered a total of 3,670 claims. The following represents the findings:

Claims reviewed:	3,670	=100%
Claims paid:	1,761	= 48%
Claims open:	169	= 5%
Claims closed without payment:	1,740	= 47%
due to: medical not received		= 46%
: deductible not met		= 45%
: coverage issue		= 8%
: SIU investigation		= 1%

From the above review, the processing backlog has been caught up, therefore, the issues causing the complaints have been resolved.