

**REPORT OF  
MARKET CONDUCT EXAMINATION  
OF**

**AMERICAN SECURITY INSURANCE COMPANY  
Wilmington, Delaware**

**AS OF  
March 10, 2008**

**COMMONWEALTH OF PENNSYLVANIA**

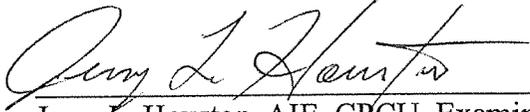


**INSURANCE DEPARTMENT  
MARKET CONDUCT DIVISION**

**Issued: April 21, 2008**

VERIFICATION

Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).

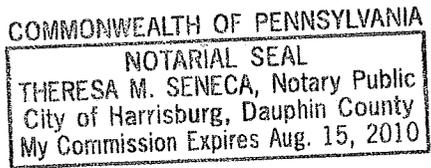
  
\_\_\_\_\_  
Jerry L. Houston, AIE, CPCU, Examiner-In-Charge

Sworn to and Subscribed Before me

This 25 Day of *February*, 2008

  
\_\_\_\_\_  
Theresa M. Seneca

Notary Public



# AMERICAN SECURITY INSURANCE COMPANY

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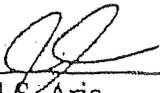
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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 6<sup>th</sup> day of July, 2007, in accordance with  
Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921,  
P.L. 789, as amended, P.S. § 323.5, I hereby designate Randolph L. Rohrbaugh, Deputy  
Insurance Commissioner, to consider and review all documents relating to the market  
conduct examination of any company and person who is the subject of a market conduct  
examination and to have all powers set forth in said statute including the power to enter  
an Order based on the review of said documents. This designation of authority shall  
continue in effect until otherwise terminated by a later Order of the Insurance  
Commissioner.



  
\_\_\_\_\_  
Joel S. Ario  
Insurance Commissioner

American Security Insurance Company

Docket No.  
MC08-03-025

Market Conduct Examination as of the  
close of business on March 10, 2008

### **ORDER**

A market conduct examination of American Security Insurance Company (referred to herein as "Respondent") was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. §323.1, *et seq.*, for the period January 1, 2006 through December 31, 2006. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

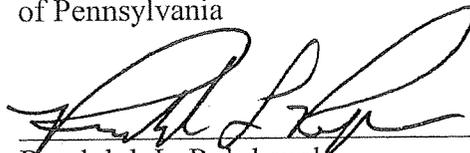
1. The attached Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.
2. Respondent shall comply with Pennsylvania statutes and regulations.

3. Respondent shall comply with the recommendation contained in the attached Report.

4. Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

The Department, pursuant to Section 905(e)(1) of the Insurance Department Act (40 P.S. § 323.5), will continue to hold the content of the Examination Report as private and confidential information for a period of thirty (30) days from the date of this Order.

BY: Insurance Department of the Commonwealth  
of Pennsylvania



Randolph L. Rohrbaugh  
Deputy Insurance Commissioner

(April 21, 2008)

## I. INTRODUCTION

The market conduct examination was conducted at American Security Insurance Company's office located in Miami, Florida, from November 13, 2007, through December 7, 2007. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

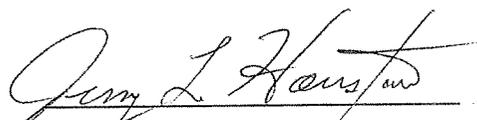
In certain areas of review listed in this Report, the examiners will refer to "error ratio." This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

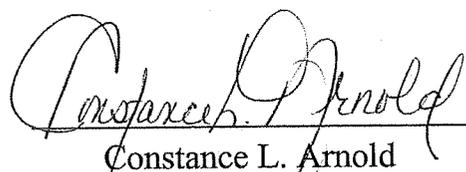
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the officers and employees of the Company during the course of the examination is hereby acknowledged.

The undersigned participated in this examination and in preparation of this Report.

  
\_\_\_\_\_  
Chester A. Derk, Jr., AIE, HIA  
Market Conduct Division Chief

  
\_\_\_\_\_  
Jerry L. Houston, AIE, CPCU  
Market Conduct Examiner

  
\_\_\_\_\_  
Constance L. Arnold  
Market Conduct Examiner

## II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on American Security Insurance Company, hereinafter referred to as “Company,” at their office located in Miami, Florida. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2006, through December 31, 2006, unless otherwise noted. The purpose of the examination was to determine the Company’s compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Automobile
  - Rating – Proper use of all classification and rating plans and procedures.
  
2. Property
  - Underwriting – Appropriate and timely notices of midterm cancellations and 60-day cancellations.
  - Rating – Proper use of all classification and rating plans and procedures.
  
3. Claims
  
4. Forms
  
5. Advertising
  
6. Complaints
  
7. Licensing

### III. COMPANY HISTORY AND LICENSING

American Security Insurance Company was incorporated with the title American Security Insurance Company of Delaware under the laws of Delaware on September 16, 1983, to act as the vehicle for the transfer of corporate domicile of American Security Insurance Company from Georgia to Delaware, which was effected January 1, 1984. The predecessor Company, which was incorporated on August 12, 1938, under the laws of Georgia, began business on September 1, 1938.

Ownership of all outstanding stock has resided with Interfinancial, Inc. since June 13, 1969. Financial control of Interfinancial, Inc., since June 30, 1980, is held by Assurant, Inc. Prior to the mid-1969 change in ownership, financial control resided with American Security Company. That Company acquired ownership on August 1, 1947, from the original sponsors, American Discount Company of Georgia.

#### LICENSING

American Security Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2007. The Company is licensed in the District of Columbia, Puerto Rico, U.S. Virgin Islands, Canada and all states except New Hampshire. The Company's 2006 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$22,601,188. Premium volume related to the areas of this review were: Fire \$16,171,100; Homeowners Multiple Peril \$539,721; Private Passenger Automobile Direct Written Premium was reported as Other Private Passenger Auto Liability \$4,060.

#### IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Agency bulletins and Pennsylvania automobile product guides were furnished for automobile, homeowners and dwelling fire. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The following findings were made:

*3 Violations Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)]*

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner. The Company's homeowner guidelines listed claims history and several dog breeds as unacceptable for renewal. The Company's dwelling fire guidelines listed several dog breeds as unacceptable for renewal as well as a risk with more than 2 dogs.

The following concern was noted:

**Concern:** The homeowner general underwriting guidelines indicated all roofs found to be in poor condition due to a claim or inspection will be nonrenewed. Nonrenewal action should not be taken unless the Company first notifies the insured of the condition and provides a reasonable period of time for the roof deficiency to be repaired.

## V. UNDERWRITING

### **A. Property**

#### 1. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide at least 30 days notice of the termination.

From the universe of 212 property policies which were cancelled within the first 60 days of new business, 25 files were selected for review. The policies consisted of homeowner and dwelling fire. All 25 files were received and reviewed. No violations were noted.

#### 2. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 94 property policies which were cancelled midterm during the experience period, 25 files were selected for review. The property policies consisted of homeowners and dwelling fire. All 25 files were received and reviewed. No violations were noted.

## VI. RATING

### **A. Automobile**

#### 1. New Business

New business, for the purpose of this examination, is defined as policies written for the first time by the Company during the experience period.

The primary purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) [40 P.S. §1184], which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at that time. Files were also reviewed to determine compliance with all provisions of Act 6 of 1990 and Act 68, Section 2005(c) [40 P.S. §991.2005(c)], which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

### Automobile – New Business Without Surcharges

The universe of 21 recreational vehicle policies identified as new business without surcharges was selected for review. All 21 files were received and reviewed. No violations were noted.

### Automobile - New Business With Surcharges

The universe of 1 recreational vehicle policy identified as new business with surcharges by the Company was selected for review. The file was received and reviewed. No violations were noted.

## **B. Private Passenger Automobile – Assigned Risk**

American Security Insurance Company is designated as a “miscellaneous vehicle only writer” for buy out purposes in accordance with Section 53(c) of the Pennsylvania Assigned Risk Plan. American Security only writes recreational vehicles in the Commonwealth of Pennsylvania.

## **C. Homeowners**

### 1. New Business

New business, for the purpose of this examination, was defined as policies written for the first time by the Company during the experience period.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

### Homeowner Rating – New Business Without Surcharges

From the universe of 364 homeowner policies written as new business without surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. No violations were noted.

#### 2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates which are in effect at the time.

### Homeowner Rating – Renewals Without Surcharges

From the universe of 239 homeowner policies renewed without surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. No violations were noted.

## **D. Dwelling Fire**

#### 1. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates which are in effect at the time.

Dwelling Fire Rating – Renewals Without Surcharges

The universe of 10 dwelling fire policies renewed during the experience period was selected for review. All 10 files were received and reviewed. No violations were noted.

## VII. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The Claims review consisted of the following areas of review:

- A. Automobile Collision Claims
- B. Homeowner Claims
- C. Dwelling Fire Claims

The primary purpose of the review was to determine compliance with Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The files were also reviewed to determine compliance with Act 205, Section 4 (40 P.S. §1171.4) and Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)], Unfair Insurance Practices Act.

### **A. Automobile Collision Claims**

The universe of 1 automobile collision claim reported during the experience period was selected for review. The file was received and reviewed. No violations were noted.

### **B. Homeowner Claims**

The universe of 27 homeowner claims reported during the experience period was selected for review. All 27 files were received and reviewed.

The 6 violations noted were based on 5 files, resulting in an error ratio of 19%.

The following findings were made:

*4 Violations Title 31, Pa. Code, Section 146.6*

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide a timely status letter for the 4 claims noted.

*2 Violations Title 31, Pa. Code, Section 146.7(a)(1)*

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. The Company failed to send a written denial for one claim noted and failed to accept or deny the remaining claim within 15 working days.

**C. Dwelling Fire Claims**

The universe of 2 dwelling fire claims reported during the experience period was selected for review. Both files were received and reviewed. No violations were noted.

## VIII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting and claim files were also reviewed to verify compliance with Act 165 of 1994 [18 Pa. CS §4117(k)(1)], which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

No violations were noted.

## *IX. ADVERTISING*

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period.

The purpose of this review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices in the business of insurance, as well as Title 31, Pennsylvania Code, Section 51.2(c) and Section 51.61.

The Company does not use any advertising materials. The Company's Internet site was reviewed. No violations were noted.

## X. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 3 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 3 complaints were requested, received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires a Company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint.

The following findings were made:

### *4 Violations Act 205, Section 5(a)(11) [40 P.S. §1171.5(a)(11)]*

Requires an insurer to maintain a complete record of all the complaints, which it has received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and time it took to process each complaint. The complaint registers for 2002, 2003, 2004 and 2005 were incomplete. The registers did not show the classification by line of insurance.

The following synopsis reflects the nature of the 3 complaints that were reviewed.

• 1	Duplicate Coverage	33%
• 1	Claim	33%
• 1	Premium Refund	34%
<hr/>		<hr/>
3		100%

## XI. LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1(a) [40 P.S. §310.41(a) and Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting files were checked to verify proper licensing and appointment.

The following findings were made:

*1 Violation Insurance Department Act, No. 147, Section 641.1A  
[40 P.S. §310.41a]*

(a) Any insurance entity or licensee accepting applications or orders for insurance from any person or securing any insurance business that was sold, solicited or negotiated by any person acting without an insurance producer license shall be subject to civil penalty of no more than \$5,000.00 per violation in accordance with this act. This section shall not prohibit an insurer from accepting an insurance application directly from a consumer or prohibit the payment or receipt of referral fees in accordance with this act.

The following producer was found to be writing and/or soliciting policies but was not found in Insurance Department records as holding a Pennsylvania producer license.

Harwood Service Company, LCC

*2 Violations Insurance Department Act, No. 147, Section 671-A*  
*(40 P.S. §310.71)*

- (a) Representative of the insurer – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
  - (1) Delineates the services to be provided; and
  - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to Department – An insurer that appoints an insurance producer shall file with the Department a notice of appointment. The notice shall state for which companies within the insurer’s holding company system or group the appointment is made.
- (d) Termination of appointment – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer’s license is suspended, revoked or otherwise terminated.
- (e) Appointment fee – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.

(f) Reporting – An insurer shall, upon request, certify to the Department the names of all licensees appointed by the insurer.

The following producers were found to be writing policies but were not found in Insurance Department records as having an appointment. The Company failed to file a notice of appointment and submit appointment fees to the Department.

Gilbert RV Insurance, Inc.  
Gilbert, Teresa G.

## *XII. RECOMMENDATIONS*

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to status letters and denials, as noted in the Report, do not occur in the future.
2. The Company must ensure all producers are properly licensed and appointed, as required by Section 641.1(a) and Section 671-A [40 P.S. §310.41(a) and 40 P.S. §310.71] of the Insurance Department Act No. 147, prior to accepting any business from any producer.
3. The Company must review Act 205, Section 5(a)(11) [40 P.S. §1171.5(a)(11)], to ensure that the violations relative to complaint records noted in the Report does not occur in the future.
4. The Company must review Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)] and revise and reissue their homeowner and dwelling fire underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible for renewal due to claims history and breed of dogs.

**XIII. COMPANY RESPONSE**



ASSURANT

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Atlanta, GA 30339-2210  
T 770.763.1000  
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11222 Quail Roost Drive  
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April 8, 2008

Mr. Chester A. Derk, Jr., AIE, HIA  
Market Conduct Division Chief  
Commonwealth of Pennsylvania  
Insurance Department  
1227 Strawberry Square  
Harrisburg, PA 17120

RE: Examination Warrant Number: 07-M19-035  
American Security Insurance Company

Dear Mr. Derk:

Thank you for extending to American Security Insurance Company this opportunity to formally respond to the Department's Examination Report dated March 10, 2008. On behalf of the Company I would like to extend a special thanks to Ms. Constance Arnold and Mr. Jerry Houston for their professionalism and the many courtesies they extended to the Company during the examination. In the interest of brevity, the Company will only address the alleged violations and concerns contained in the Examination Report rather than all issues examined. The Company will address the issues in the order they appear in the Examination Report.

#### **IV. Underwriting Practices and Procedures (p. 5-6)**

The Examination Report cites three (3) alleged violations of 40 P.S. §1171.5(a)(9). Specifically, the report alleges that the Company used (1) the insured's claims history, (2) the breeds of dogs owned by the insured and (3) the number of dogs owned by the insured as a basis for the non-renewal of a policy. The Company respectfully disagrees with the conclusion contained in the Examination Report.

The Company does utilize (1) claims history (2) the breed(s) of dog(s) owned by a potential insured and (3) the number of dogs owned by a potential insured as underwriting criteria for new business. However, the Company does not (and did not during the examination period) use the above mentioned criteria as a basis for cancellation or non-renewal of an existing policy. While the Company does admit that clerical errors within the underwriting guidelines (which were corrected in March 2006) may have given the examiner impression that such criteria was used for renewal business, we wish to again emphasize that our policy maintenance system does not perform renewal underwriting based on claims or number/breed of dogs. Consequently, we fundamentally disagree with any conclusion that there was an underlying violation of 40 P.S. §1171.5(a)(9).

Section IV of the Examination Report also contains the following concern: The homeowner general underwriting guidelines indicated all roofs found to be in poor condition due to a claim or inspection will be nonrenewed. Nonrenewal action should not be taken unless the Company first notifies the insured of the condition and provides a reasonable period of time for the roof deficiency to be repaired.

In response to the Department's concern, the Company is implementing a procedure whereby the Company will give the insured thirty (30) days notice to correct any repair issue prior to issuing a notice of non-renewal. This is in addition to the Company's notice period for non-renewal which is currently one hundred (100) days.

## **VII. Claims (p.14)**

The Company acknowledges the Examination Report's citation of Title 31, PA. Code, Section 146.6 for failing to provide timely status letters for four (4) claims. It is the Company's policy and practice to send out status letters in a timely manner. Consequently, these errors represent an aberration from our standard procedures. However, in response to the Department's findings we have instituted additional file auditing to reduce the incidence of future mistakes.

The Company also acknowledges the Examination Report's citation of Title 31, PA Code, Section 146.7 (a)(1) for failing to send a written denial for one claim noted and failing to accept or deny the remaining claim within fifteen (15) working days. It is the Company's policy and practice to comply with the requirements set forth in Section 146.7 (a)(1). As such, these errors represent isolated mistakes and departures from our standard procedures. We apologize for the errors and we have instituted additional file auditing to reduce the incidence of future errors.

## **X. Consumer Complaints (p. 17)**

The company acknowledges the Examination Report's citation of 40 P.S. §1171.5 (a)(11) for failing to show the classification of complaints by line of insurance on the Company's complaint register. In response, the Company is modifying its complaint register to reflect the line of insurance. The revision of the complaint register should be complete by April 30, 2008.

## **XI. Licensing (p. 19-21)**

The Company respectfully disagrees with the Examination Report's citation of 40 P.S. §310.41(a) with respect to the producer Harwood Service Company LLC. The Company acknowledges that Harwood incorrectly listed its name on its paperwork for a Pennsylvania producer license (and has since corrected this error). However, Harwood was a licensed producer and we do not believe that the producer's clerical error translates to a statutory violation by the Company. That said, the Company did bring the issue to Harwood's attention so that Harwood could correct the issue and we apologize to the Department for any confusion the issue may have created.

The Company acknowledges the Examination Report's citation of 40 P.S. §310.71 regarding the appointment of Teresa Gilbert and Gilbert RV Insurance. It is the policy and practice of the company to properly appoint all producers. The Company has corrected the oversight with respect to these producers and will continue to review our procedures in order to avoid such oversights in the future.

In closing, the Company would again like to thank the Pennsylvania Insurance Department for its professionalism and cooperation during the examination process. American Security pledges its continued cooperation with the Department and reaffirms its commitment to offer its products in full compliance with the laws and regulations of the Commonwealth of Pennsylvania.

Sincerely,



Robert A. Kasenter, Esq.  
Vice President  
Federal & State Regulatory Administration