



Report on

Market Conduct Examination

of the

American Millennium Insurance Company  
Bridgewater, New Jersey

by Representatives of the  
North Carolina Department of Insurance

as of

June 13, 2022

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Raleigh, North Carolina  
June 13, 2022

Honorable Mike Causey  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Albemarle Building  
325 N. Salisbury Street  
Raleigh, North Carolina 27603

Honorable Marlene Caride  
Commissioner of Insurance  
Department of Banking and Insurance  
State of New Jersey  
20 West State Street  
Trenton, New Jersey 08625

Honorable Commissioners:

In accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of the following entity:

**American Millennium Insurance Company (NAIC #26140)**  
NAIC Exam Tracking System Exam Number: NC-NC131-25  
Bridgewater, New Jersey  
(hereinafter generally referred to as the Company)

The examination was conducted at the North Carolina Department of Insurance (Department) office located at 325 N. Salisbury Street, Raleigh, North Carolina. A report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

This examination commenced on January 18, 2022, and covered the period of January 1, 2020, through December 31, 2021. Analyses of certain operations of the Company were concluded during the Wrap-Up conference which was held on May 19, 2022. This action was taken due to the previous examination report as of October 2, 2019. All comments made in this report reflect conditions observed during the period of examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive and consisted of an examination of the Company's practices and procedures in marketing and underwriting and rating. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0% tolerance level for producers who were not appointed and/or licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; and 10% for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the company.

## EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following area:

*Underwriting and Rating* – Commercial Automobile: Using unfiled loss costs, loss cost multiplier, and rating factors; missing or incomplete schedule rating worksheets; producers not licensed as brokers.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be

viewed on the North Carolina Department of Insurance Web site <https://www.ncdoi.gov/insurance-industry/market-regulation>.

This examination identified statutory violations which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

## **MARKETING**

### Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Commercial Automobile

Filings for the commercial automobile line of business were made to the Department by the Insurance Services Office (ISO) on behalf of the Company. Deviations were made to the Department by the Company.

## **UNDERWRITING AND RATING**

### Overview

The Company's marketing in North Carolina is directed to commercial lines of business. The Company provided the examiners with listings of the following types of active policies for the period under examination:

- Commercial Automobile

A random selection of 110 policies was made from a total population of 178. Each policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the

appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

#### Rate Evasion Procedures

The Company's rate evasion procedures were reviewed to determine compliance with the provisions of NCGS 58-2-164. The Company was deemed to be in compliance with the provisions of NCGS 58-2-164 as they have procedures in place to address other than nonfleet private passenger automobile rate evasion fraud.

#### Commercial Automobile – Livery Types and Extra-heavy Trucks/Tractors – Local

All policies were selected for review from a population of 27. The Company's livery types and local radius extra-heavy commercial automobile policies were written on an annual basis. Liability coverages were written voluntarily or ceded to the North Carolina Reinsurance Facility. Excess liability coverages were written utilizing the Company's independently filed programs. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company was deemed to be in violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4),(g) as three files did not contain documentation to justify the schedule debit used to rate the policy (11.1% error ratio). The Company was deemed to be in violation of the provisions of NCGS 58-41-50(f) as three policies were rated using an unfiled rating factor (11.1% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-41-50(f) as three policies were rated using an incorrect loss cost multiplier and loss cost (11.1% error ratio).

The rating errors resulted in three overcharges to the insureds. At the request of the examiners, refunds in the amount of \$8,499.78, including interest, were issued by the Company for the overcharges.

### Commercial Automobile – Extra-heavy Trucks/Tractors – Intermediate

Fifty policies were randomly selected for review from a population of 118. The Company's intermediate radius extra-heavy commercial automobile policies were written on an annual basis. Liability coverages were written voluntarily or ceded to the North Carolina Reinsurance Facility. Excess liability coverages were written utilizing the Company's independently filed programs. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company was deemed to be in violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4),(g) as 13 files did not contain documentation to justify the schedule debit used to rate the policy (26.0% error ratio). The Company was deemed to be in violation of the provisions of NCGS 58-41-50(f) as 13 policies were rated using an unfiled rating factor (26.0% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-41-50(f) as 13 policies were rated using an incorrect loss cost multiplier (26.0% error ratio).

The rating errors resulted in 13 overcharges to the insureds. At the request of the examiners, refunds in the amount of \$36,432.70, including interest, were issued by the Company for the overcharges.

### Commercial Automobile – Extra-heavy Trucks/Tractors – Long Distance

All policies were selected for review from a population of 33. The Company's long distance extra-heavy commercial automobile policies were written on an annual basis. Liability coverages were written voluntarily or ceded to the North Carolina Reinsurance Facility. Excess liability coverages were written utilizing the Company's independently filed programs. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk.



The Company was deemed to be in violation of the provisions of NCGS 58-33-26 and 11 NCAC 6A.0404 as the broker was not properly licensed at the time of application for four policies reviewed (12.1% error ratio).

The Company was deemed to be in violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4),(g) as 22 files did not contain documentation to justify the schedule debit/credit used to rate the policy (66.7% error ratio). The Company was deemed to be in violation of the provisions of NCGS 58-41-50(f) as 22 policies were rated using an unfiled rating factor (66.7% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-41-50(f) as 19 policies were rated using an incorrect loss cost multiplier (57.6% error ratio).

The rating errors resulted in 22 overcharges to the insureds. At the request of the examiners, refunds in the amount of \$45,211.69, including interest, were issued by the Company for the overcharges.

As a result of the rating errors in each of the above populations, the examiners requested the Company to conduct a self-audit. Once complete, the Company will issue any additional refunds to the insureds and report the total dollar amount refunded to the Department.

### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Company is directed to take measures to ensure the correct filed loss cost multiplier, loss cost, and rating factors are used to rate each commercial automobile policy issued by the Company. If schedule rating is employed to modify the premium, a properly completed Schedule Rating Worksheet must be maintained in each underwriting file.

The Company is directed to verify that any individual submitting applications for insurance to the Company and acting as an insurance broker is properly licensed by the Department as a broker.

Upon acceptance of the Report the Company shall provide the Department with a statement of corrective action plan to address the violations identified during the examination.

The Department will conduct a future investigation, if warranted, to determine if the Company successfully implemented its statement of corrective action.

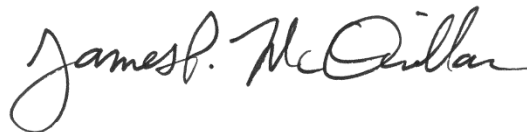
### **CONCLUSION**

An examination has been conducted on the market conduct affairs of American Millennium Insurance Company for the period January 1, 2020, through December 31, 2021, with analyses of certain operations of the Company being conducted through May 19, 2022.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Company's operations in the areas of marketing and underwriting and rating practices.

In addition to the undersigned, Brooke Green, MCM, and Eshita Patel, MCM, North Carolina Market Conduct Senior Examiners, participated in this examination.

Respectfully submitted,



James P. McQuillan, CPCU, AIT, MCM  
Examiner-In-Charge  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Teresa Knowles, MCM, ACS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina