

REPORT ON
MARKET CONDUCT EXAMINATION

of the

AMERICAN SECURITY INSURANCE COMPANY

Atlanta, Georgia

BY REPRESENTATIVES OF THE
NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

May 24, 2010

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Raleigh, North Carolina
May 24, 2010

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Karen Welden Stewart
Commissioner of Insurance
Department of Insurance
State of Delaware
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Honorable Commissioner:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131, a general examination has been made of the market conduct activities of

AMERICAN SECURITY INSURANCE COMPANY (NAIC #42978)

NAIC Exam Tracking System Exam Number: NC170-M61

Atlanta, Georgia

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

FOREWORD

This examination reflects the North Carolina insurance activities of American Security Insurance Company. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

SCOPE OF EXAMINATION

This examination commenced on February 15, 2010 and covered the period of January 1, 2006 through December 31, 2008 with analyses of certain operations of the Company being conducted through May 17, 2010. All comments made in this report reflect conditions observed during the period of the examination.

The examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of policyholder treatment, marketing, underwriting and rating, terminations, and claims practices.

It is the Department's practice to cite companies in apparent violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 0 percent for consumer complaints, sales and advertising, 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; 7 percent for claims; and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing an apparent violation, the Department issues a reminder to the company.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following areas:

Consumer Complaints – response time to Departmental inquiry, NAIC company code was not included on Company response.

Underwriting and Rating – Private passenger automobile: applications accepted from a producer who was not appointed; policies rated using an unfiled rating factor.

Terminations – Commercial inland marine cancellations: failed to provide notice of cancellation to insureds. Commercial fire nonrenewals: unable to provide copies of nonrenewal letters.

Specific violations related to each area of concern 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 www.ncdoi.com, by clicking “Helpful Links.”

This examination identified various non-compliant practices, some of 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. When applicable, corrective action for other jurisdictions should be addressed.

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in North Carolina or in other jurisdictions does not constitute acceptance of such practices. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company’s practices and ensure consumer protection.

COMPANY OVERVIEW

History and Profile

The 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.

The Company is a wholly owned subsidiary of Interfinancial, Inc. a Georgia corporation. Previously acquired by Fortis International N.V. in the Netherlands, a diversified banking and insurance services holding company, in early 2004, the Company was spun off with other of Fortis' domestic operations in an initial public offering. This IPO created a new US holding company collectively known as Assurant, Inc. Assurant, Inc. has four key business units (1) Assurant Employee Benefits, (2) Assurant Health, (3) Assurant Solutions and (4) Assurant Specialty Property. The Company is part of Assurant Specialty Property.

Company Operations and Management

The Company is both a holding company and a licensed property and casualty insurance company. As a holding company, it is the sole shareowner of Standard Guaranty Insurance Company, a Delaware corporation. The Company's products are primarily distributed through financial institutions. The Company is licensed in all fifty states except New Hampshire.

Direct written premium for the Company's 2008 countrywide property and casualty operations was \$1,755,789,757. North Carolina's production for the same period was \$25,692,927. Premiums written in North Carolina between 2006 and 2008 increased approximately 37.6 percent. The charts below outline the Company's mix of business for selected lines in 2008 and loss ratios in North Carolina for the examination period.

Line of Business	Written Premium	Percentage
Fire & Allied Lines	\$22,879,488	89.1
Private Passenger Automobile	1,868,716	7.3
Credit A & H	731,862	2.8
Other	212,861	.8
Total	\$25,692,927	100.0

Year	Written Premium	Earned Premium	Incurred Losses*	Loss Ratio
2006	\$18,674,280	\$17,341,856	\$ 3,262,623	18.8
2007	\$21,727,264	\$20,132,785	\$ 3,949,696	19.6
2008	\$25,692,927	\$23,678,975	\$ 4,927,813	20.8
* Does not include IBNRs				

Certificates of Authority

The Certificates of Authority issued to the Company were reviewed for the period under examination. These certificates were reviewed to determine compliance with the provisions of NCGS 58-7-15. The Company's writings in North Carolina were deemed to be in compliance with the authority granted.

Disaster Recovery Procedures

The Company has a detailed business continuation plan established and recognizes the importance of disaster recovery planning to avoid disaster and to recover as quickly as possible after a disaster. The Company's computer systems, telecommunications, and networks have extensive backup and redundancy features. An incident response team is in place to monitor and protect data and is responsible for issues involving computer viruses and systems security violations. Backup copies of data are written to tape each business day. Copies are stored on-site and another copy is sent to an off-site secured facility. All mainframes, application servers and network servers are backed up in this fashion.

The Company maintains off site facilities in various locations across the United States and internationally which contain all the hardware and telecommunications lines to recover the

systems and continue working. Off site copies of manuals, procedures and forms are kept in hardcopy and electronic format. Key personnel are provided laptops to maintain access to all system communications in the event of a disaster. The disaster recovery plans are tested at these off sites on an annual basis. The Company's disaster plan is a combination of risk recognition, early analysis, disaster avoidance and thorough disaster planning resulting in a secure environment for continuity of business operations.

POLICYHOLDER TREATMENT

Consumer Complaints

The Company's complaint handling procedures were reviewed to determine compliance with applicable North Carolina statutes and rules.

The Company's complaint register for the period under examination was in compliance with the provisions of Title 11 of the North Carolina Administrative Code (NCAC), Chapter 19, Section 0103.

The Company's complaint register was reconciled with a listing furnished by the Consumer Services Division of the Department. All 3 complaints contained in the Department's listing were selected and received for review. The distribution of complaints requiring a response to the Department is shown in the chart below.

Type of Complaint	Total
Claims	2
Administrative	1
Total	3

The Company's response to each complaint was deemed to be appropriate to the circumstances. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 1.0602 as 1 of the complaints reviewed (33.3 percent error ratio) was responded to in excess of the 7 calendar day requirement of this rule.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as its responses to 2 Departmental inquiries (66.7 percent error ratio) did not include its NAIC company code.

The average service time to respond to a Departmental complaint was 6 calendar days.

A chart of the Company's response time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	2	66.7
8 - 14	1	33.3
Total	3	100.0

Privacy of Financial and Health Information

The Company provided privacy of financial and health information documentation for the examiners' review. The Company exhibited policies and procedures in place so that nonpublic personal financial or health information is not disclosed unless the customer or consumer has authorized the disclosure. The Company was found to be compliant with the provisions of NCGS 58-39-25, 58-39-26, and 58-39-27.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. Emphasis of the review was placed on the following lines of business:

1. Private Passenger Automobile
2. Commercial Inland Marine
3. Commercial Fire

The Company's private passenger automobile, commercial inland marine and commercial fire lines of business are all independently filed programs that utilize their own rates and forms. Filings were submitted to the Department by the Company.

Sales and Advertising

Sales and advertising practices of the Company were reviewed to determine compliance with the provisions of NCGS 58-63-15.

The Company distributes its products through the independent agency system and does not distribute sales material directly to insureds or prospective insureds. Written procedures for the approval of advertising material are maintained. Advertising requests must be processed through and approved by the Legal Advertising Compliance Department. Advertising information is maintained electronically in the Central Advertising Repository.

No unfair or deceptive trade practices were noted in this segment of the examination.

Producer Licensing

The Company's procedures for appointment and termination of its producers were reviewed to determine compliance with the appropriate North Carolina statutes and rules. Fifty appointed and 50 terminated producer files were randomly selected and received for review from populations of 424 and 426, respectively.

All appointment and termination forms reviewed were submitted to the Department in accordance with the timetables stipulated under the provisions of NCGS 58-33-40 and 58-33-56.

Agency Management

The Company currently has 5 producers appointed in North Carolina. The Senior Vice-President of Personal Property, located in Scottsdale, Arizona is responsible for the activities of the agency force. Formal agency reviews are conducted by underwriters in the Woodbury, Minnesota regional office on a semi-annual basis. The Director of Product Development is responsible for agent appointments, terminations, and licensing.

UNDERWRITING AND RATING

Overview

The Company's marketing philosophy in North Carolina focuses on personal and commercial lines. The Company provided the examiners with listings of the following types of active policies for the period under examination:

1. Private Passenger Automobile
2. Commercial Inland Marine
3. Commercial Fire

A random selection of 250 policies was made from a total population of 32,425. 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.

Private Passenger Automobile

The Company provided a listing of 3,049 active private passenger automobile policies issued during the period under examination. Fifty policies were randomly selected and received for review.

The Company's private passenger automobile coverage is an independently filed program that provides coverage for motor homes and travel trailers. Policies were written on an annual basis. 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 apparent violation of the provisions of NCGS 58-33-40(h) as 20 applications reviewed (40.0 percent error ratio) were accepted from a producer who was not appointed. The Company was deemed to be in apparent violation of the provisions of NCGS 58-41-50(f) as 5 policies reviewed (10.0 percent error ratio) were rated using an unfiled

rating factor. The rating errors resulted in premium undercharges to the insureds. The remaining 45 premiums charged were deemed correct.

Commercial Inland Marine

The Company provided a listing of 17,841 active commercial inland marine policies issued during the period under examination. One hundred policies were randomly selected and received for review.

The Company's commercial inland marine coverage is an independently filed program that provides property coverage for wireless communication equipment, including cell phones, pagers and personal digital assistants (PDA's). Policies were written on a monthly basis. 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. All premiums charged were deemed correct.

Commercial Fire

The Company provided a listing of 11,535 active commercial fire policies issued during the period under examination. One hundred policies were randomly selected and received for review.

The Company's commercial fire coverage is an independently filed program that consists of lender placed hazard coverage for financial institutions for their properties that do not have evidence of insurance as required under the mortgage agreement. The programs are not underwritten. A master policy is issued to the lender as the Named Insured. Additional Insured endorsements are issued to the borrower when the Named Insured lender determines that there is no acceptable insurance covering the property.

The Company was reminded of the provisions of NCGS 58-41-50(f) as the schedule rating factor was not applied on 3 policies reviewed (3.0 percent error ratio) resulting in

premium undercharges to the additional insured's. The remaining 97 premiums charged were deemed correct.

TERMINATIONS

Overview

The Company's termination procedures were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules. The review focused on the following lines of business:

1. Private Passenger Automobile
2. Commercial Inland Marine
3. Commercial Fire

Special attention was placed on the validity and reason for termination, timeliness in issuance of the termination notice, policy refund (where applicable), and documentation of the policy file. A total of 43,233 policies were terminated during the period under examination. The examiners randomly selected 262 terminations for review.

The Company reported they do not decline/reject business.

Private Passenger Automobile Cancellations

Fifty cancelled private passenger automobile policies were randomly selected and received for review from a population of 1,018.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Insured's request	38	76.0
Nonpayment of premium	11	22.0
Underwriting reasons	1	2.0
Total	50	100.0

The Company was not required to issue cancellation notices for 38 of the cancellations reviewed as these policies were cancelled at the request of the insured.

The final area of this review encompassed documentation of the policy file. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4)(h) as 2 files reviewed (4.0 percent error ratio) did not contain documentation to support the insured's request for cancellation.

The Company sent the North Carolina Notice of Termination Form (FS-4) to the North Carolina Division of Motor Vehicles (DMV) when liability coverages were cancelled. The Company was deemed to be in compliance with the provisions of NCGS 20-309.

Commercial Inland Marine Cancellations

Fifty cancelled commercial inland marine policies were randomly selected and received for review from a population of 3,491 policies.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Nonpayment of premium	50	100.0
Total	50	100.0

The Company was deemed to be in apparent violation of the provisions of NCGS 58-41-15(a) and the policy termination provisions as it failed to provide notice of cancellation to the insured for 50 cancelled policies reviewed (100.0 percent error ratio).

Commercial Fire Cancellations

One hundred cancelled commercial fire policies were randomly selected and received for review from a population of 37,910 policies.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Insured's request	100	100.0
Total	100	100.0

The Company does not initiate cancellations of the lender placed hazard coverage. Only the named insured financial institution can request cancellation. Coverage is usually cancelled because the borrower provides evidence of insurance. The Company sends a letter to the borrower advising them that the named insured lender has requested cancellation.

All borrowers were notified of the cancellation and all premium refunds were deemed correct.

Private Passenger Automobile Nonrenewals

All nonrenewed private passenger automobile policies were selected and received for review from a population of 12. The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Underwriting reasons	12	100.0
Total	12	100.0

The nonrenewal notices for the policies reviewed stated the specific reason for nonrenewal. All insureds and loss payees were given proper and timely notification of nonrenewal.

The final area of this review encompassed documentation of the policy file. All policy files contained sufficient documentation to support the action taken by the Company. The Company sent the FS-4 to the DMV when liability coverages were cancelled. The Company was deemed to be in compliance with the provisions of NCGS 20-309.

Commercial Inland Marine Nonrenewals

The Company reported no commercial inland marine policies were nonrenewed during the examination period.

Commercial Fire Nonrenewals

Fifty nonrenewed commercial fire policies were randomly selected and received for review from a population of 802.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Risk no longer eligible	50	100.0
Total	50	100.0

The named insured lender initiates the request to nonrenew a policy typically because the borrower has paid off the loan with the lender or the lender has transferred/sold the loan to another servicer, therefore the named insured no longer has an insurable interest in the property. The Company sends a letter to the borrower advising the coverage will not be renewed at the expiration date.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4)(h) as they were unable to provide copies of the nonrenewal letters sent to 6 additional insureds (12.0 percent error ratio) when coverage was being nonrenewed.

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes, rules and policy provisions. The review encompassed

paid, automobile medical payment, first and third party bodily injury, closed without payment, subrogated, total loss settlement, and litigated claims.

Claims service for the commercial fire line of business in North Carolina is under the direction of the Senior Vice President and is provided from the home office and regional staff adjusters located in Atlanta, Georgia and Miami, Florida. The staff is comprised of 9 inside staff managers, 7 resident staff adjusters and 60 inside staff adjusters. Company adjusters provide the claim service with some assistance, at times, from independent adjusters. Independent adjusters have no check or draft authority. The Company agency force does not adjust claims.

Claims service for the wireless line of business in North Carolina is under the direction of the Senior Vice President and is provided through call centers located in Wayne, Pennsylvania and Stevens Point, Wisconsin. The claims service is provided through call center representatives supported by a claims management system. The call service representatives do not have check authority.

Claims service for the recreational vehicle motor home line of business in North Carolina is under the direction of the Senior Vice President and is provided through the home office in Scottsdale, Arizona. The staff is comprised of 1 director, 1 supervisor, 3 adjusters and a pool of clerical staff. Company adjusters provide the claim service with some assistance, at times, from independent adjusters. Independent adjusters have no check or draft authority. The Company agency force does not adjust claims. The salvage log is maintained by the administrative assistant.

One hundred ninety claims were randomly selected for review from a population of 2,366.

Paid Claims

The examiners randomly selected and received 111 of the 1,749 first party automobile physical damage, first party property damage, and third party property damage claims paid during the period under examination. The claim files were reviewed for timeliness of payment, supporting documentation and accuracy of payment.

The following types of claims were reviewed and the average payment time is noted in calendar days:

Type of Claim	Payment Time
Automobile physical damage	14.0
First party (excluding automobile physical damage)	9.0
Third party property damage	15.0

The diminishing policy deductible was not applied correctly for 2 claims reviewed (1.8 percent error ratio). This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice. At the request of the examiners, additional claim payments were issued by the Company in the amount of \$687.00. All remaining payments issued by the Company were deemed to be accurate. Deductibles were correctly applied on the remaining claims and depreciation taken was reasonable.

All claim files reviewed contained documentation to support the Company's payments. The documentation consisted of appraisals, estimates, repair bills, or inventory listings.

Automobile Medical Payment Claims

The entire population of 1 automobile medical payment claims for the period under examination was reviewed. The claim file was reviewed to determine if the Company had engaged in any unfair claims practices. The review of the automobile medical payment claim disclosed no apparent violations of the provisions of NCGS 58-63-15.

First and Third Party Bodily Injury Claims

The entire population of 1 first and third party bodily injury claims for the period under examination was reviewed. The claim file was reviewed to determine whether the Company had engaged in any unfair claims practices. The review of the first and third party bodily injury claim disclosed no apparent violations of the provisions of NCGS 58-63-15.

Closed Without Payment Claims

Fifty closed without payment claims were randomly selected and received for review from a population of 588. The claim files were reviewed to determine if the Company's reasons for closing the claims without payment were valid.

The claim files reviewed contained documentation that supported the Company's reasons for closing the claims without payment. All reasons for denial or closing the files without payment were deemed valid. Claims were denied on an average of 7 calendar days for the 3-year period. The review of closed without payment claims disclosed no apparent violations of the provisions of NCGS 58-63-15.

Subrogated Claims

The entire population of 6 subrogated claims for the period under examination was reviewed. The claim files were reviewed to determine if the insured's deductible was properly reimbursed by the Company when subrogation was successful.

One reimbursement (16.7 percent error ratio) was not made in a timely manner. This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice. The reimbursement was deemed to be correct.

Total Loss Settlement Claims

The entire population of 17 total loss settlement claims for the period under examination was reviewed. The claim files were reviewed to determine if the settlements were equitable and timely.

The Company primarily used Audatex North America, Inc. in addition to on-site independent adjusters to establish the actual cash value of totaled vehicles. The Company settled all claims in a timely manner. The payments were issued on a 3-year average of 24 calendar days. The diminishing policy deductible was not applied correctly for 1 claim reviewed (5.9 percent error ratio). This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice. At the request of the examiners, additional claim payments were issued by the Company in the amount of \$500.00. The Company issued the claim payments in a timely manner. No apparent violations of the provisions of 11 NCAC 4.0418, or 4.0421 were noted during this review.

Litigated Claims

The entire population of 4 litigated claims for the period under examination was reviewed. The claim files were reviewed to determine if the Company had engaged in any unfair claims practices. The review of litigated claims disclosed no apparent violation of the provisions of NCGS 58-63-15.

SUMMARY

The Market Conduct examination revealed the following:

1. Policyholder Treatment

- a. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 1.0602 as the responses to 33.3 percent of the Departmental inquiries reviewed were in excess of the 7 calendar day requirement of this rule.
- b. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as the responses to 66.7 percent of the Departmental inquiries reviewed did not include its National Association of Insurance Commissioners code.

2. Underwriting and Rating

- a. The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40(h) as 40.0 percent of the private passenger automobile applications reviewed were accepted from a producer who was not appointed.
- b. The Company was deemed to be in apparent violation of the provisions of NCGS 58-41-50(f) as an unfiled rating factor was used to rate 10.0 percent of the private passenger automobile policies reviewed.
- c. The Company was reminded of the provisions of NCGS 58-41-50(f) as the schedule rating factor was not applied on 3.0 percent of the active commercial fire policies reviewed.

3. Terminations

- a. The Company was reminded of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4)(h) as 4.0 percent of the private passenger automobile cancellations reviewed did not contain documentation to support the insured's request for cancellation.
- b. The Company was deemed to be in apparent violation of the provisions of NCGS 58-41-15(a) as it failed to provide notice of cancellation to the insured for 100.0 percent of the cancelled commercial inland marine policies reviewed.
- c. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0102(a), 19.0104, and 19.0106(a)(4)(h) as they were unable to provide copies of the nonrenewal letters for 12.0 percent of the nonrenewed commercial fire files reviewed.

TABLE OF STATUTES AND RULES

<u>Statute/Rule</u>	<u>Title</u>
NCGS 58-2-131	Examinations to be made; authority, scope, scheduling, and conduct of examinations.
NCGS 58-7-15	Kinds of insurance authorized.
NCGS 58-33-40	Appointment of agents.
NCGS 58-33-56	Notification to Commissioner of termination.
NCGS 58-39-25	Notice of insurance information practices.
NCGS 58-39-26	Federal privacy disclosure notice requirements.
NCGS 58-39-27	Privacy notice and disclosure requirement exceptions.
NCGS 58-41-15	Certain policy cancellations prohibited.
NCGS 58-41-50	Policy form and rate filings; punitive damages; data required to support filings.
NCGS 58-63-15	Unfair methods of competition and unfair or deceptive acts or practices defined.
NCGS 20-309	Motor vehicle registration.
11 NCAC 1.0602	Insurance companies' response to Departmental inquiries.
11 NCAC 4.0123	Use of specific company name in responses.
11 NCAC 4.0418	Total Losses on Motor Vehicles.
11 NCAC 4.0421	Handling of Loss and Claim Payments.
11 NCAC 19.0102	Maintenance of Records.
11 NCAC 19.0103	Complaint Records.
11 NCAC 19.0104	Policy Records.
11 NCAC 19.0106	Records Required for Examination.

CONCLUSION

An examination has been conducted on the market conduct affairs of American Security Insurance Company for the period January 1, 2006 through December 31, 2008 with analyses of certain operations of the Company being conducted through May 17, 2010. The Company's response to this report, if any, is available upon request.

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 Company operations in the areas of policyholder treatment, marketing, underwriting and rating, terminations, and claims practices.

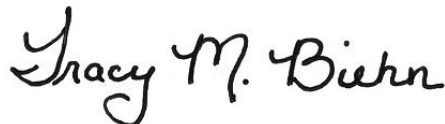
In addition to the undersigned, James P. McQuillan, CPCU and Letha Lombardi, North Carolina Market Conduct Examiners, participated in this examination.

Respectfully submitted,



Norma M. Rafter, CPCU
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.



Tracy M. Biehn, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina