

Report on

Market Conduct Examination

of the

American Strategic Insurance Corp

St. Petersburg, Florida

by Representatives of the

North Carolina Department of Insurance

as of

November 1, 2017

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Raleigh, North Carolina  
November 1, 2017

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

Honorable David Altmaier  
Commissioner of Insurance  
Florida Office of Insurance Regulation  
The Larson Building  
200 E. Gaines Street, Room 101A  
Tallahassee, Florida 32399

Honorable Commissioners:

Pursuant to your instructions and 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

**American Strategic Insurance Corp (NAIC #10872)**  
NAIC Exam Tracking System Exam Number: NC-NC131-14  
St. Petersburg, Florida 33702

hereinafter generally referred to as the Company, 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

The Department conducted a target examination of the Company. This examination commenced on March 6, 2017, and covered the period of January 1, 2014, through December 31, 2015, with analyses of certain operations of the Company being conducted through October 17, 2017. All comments made in this report reflect conditions observed during the period of the 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. The findings and conclusions contained within the report are based on the work performed and are referenced within the appropriate section 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 percent tolerance level for the use of forms and rates/rules that were neither filed with nor approved by the Department and 5 percent for all other areas reviewed. Sample sizes were generated using Audit Command Language Software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

## EXECUTIVE SUMMARY

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

*Underwriting Practices* – Homeowners - Incorrect premium without application of consent to rate was displayed on the consent to rate form.

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 [www.ncdoi.com](http://www.ncdoi.com), by clicking “Insurance Industry” then “Legislative Services” under “Other Divisions”.

This examination identified various statutory violations, 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 must be addressed.

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:

- Homeowners

Filings for the Homeowners line of business were made by the North Carolina Rate Bureau on behalf of the Company. Deviations for this line of business were made to the Department by the Company.

## **UNDERWRITING PRACTICES**

### Overview

The Company’s marketing philosophy in North Carolina is directed to personal lines of business. The Company provided the examiners with a listing of the following type of active policies for the period under examination:

- Homeowners

A random selection of 119 policies was made from a total population of 5,989. 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. The policies were rated to determine the accuracy of the North Carolina Rate Bureau premium on the consent to rate form.

### Homeowners

The Company's Homeowners policies were written on an annual basis. Coverages were written on a consent to rate 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 did not adhere to the provisions of NCGS 58-36-30, and Title 11 of the North Carolina Administrative Code (NCAC) Chapter 10, Section 0602 (a)(2) as the consent to rate form for 82 policies did not display the correct premium that would be charged without application of consent to rate. The incorrect display of premium was the result of the following identified by the applicable Rules of the North Carolina Homeowners Manual:

- Sixty-eight policies applied an incorrect percentage premium charge for Specified Additional Amount of Insurance for Coverage A (Rule 407.C.1.b).
- Six HO-4 policies included a year of construction credit (Rule A5).
- Eleven policies applied a protective device credit greater than the Maximum Credit allowed of \$75.00 (Rule 404.C).
- Fifty-eight policies applied an incorrect rating sequence in calculating the protective device and deductible credits (Rule 403.F.3 and 404.C).
- Five policies applied the wrong territory (Rule 301).
- One policy did not apply the factor for increased limits to the Personal Injury Coverage (Rule 701).

**COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Company must complete and implement corrective actions as a result of this target examination. The corrective actions must include but are not limited to displaying the correct premium without application of consent to rate on the consent to rate form. Additionally, the Company must ensure that all Rules of the North Carolina Homeowners Manual are applied properly when calculating the premium without application of consent to rate.

**CONCLUSION**

An examination has been conducted on the market conduct affairs of American Strategic Insurance Corp for the period January 1, 2014, through December 31, 2015, with analyses of certain operations of the Company being conducted through October 17, 2017.

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 practices.

Respectfully submitted,

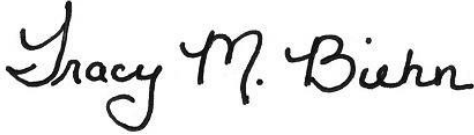


Patricia D. Murphy, AIC, ARM, MCM  
Acting Examiner-In-Charge  
Market Regulation Division  
State of North Carolina



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, MCM

A handwritten signature in black ink that reads "Tracy M. Biehn". The signature is written in a cursive style with a large initial 'T' and a distinct 'M' and 'B'.

Deputy Commissioner  
Market Regulation Division  
State of North Carolina