

# New York State Insurance Department

---

## NEW YORK STATE INSURANCE DEPARTMENT FINES 13 INSURERS \$229,975

**May 19, 1999**

Superintendent of Insurance Neil D. Levin today announced that the Department has taken disciplinary action against 13 insurers for violations of New York Insurance laws and regulations. The fines, totaling \$229,975 are against the following insurers:

<u>Company</u>	<u>Amount of Fine</u>
AUSA Life Insurance Company	\$50,000
State Farm Mutual Automobile Insurance Company	\$50,000
Federal Insurance Company	\$41,200
Markel Insurance Company	\$32,850
Amalgamated Life Insurance Company	\$30,000
American International Insurance Company	\$ 7,150
AIU Insurance Company	\$ 7,050
American Home Assurance Company	\$ 3,050
Vigilant Insurance Company	\$ 2,875
The Insurance Company of the State of Pennsylvania	\$ 2,500
National Union Fire Insurance Company of Pittsburgh, PA	\$ 1,300
Illinois National Insurance Company	\$ 1,000
Principal AMA Life Insurance Company	\$ 1,000

### **Auto Insurance Violations**

A market conduct investigation revealed that the following companies, **AIU Insurance Company, American Home Assurance Company, American International Insurance Company, Illinois National Insurance Company,**

**The Insurance Company of the State of Pennsylvania and the National Union Fire Insurance Company of Pittsburgh PA**, members of American International Group based in New York City, violated various insurance laws and regulations with respect to private passenger automobile insurance policies written or renewed between July 1, 1996 and June 30, 1997.

**American International Insurance Company** was fined \$7,150 for failing to retain mandatory inspection reports and for failing to explain premium surcharges prominently. The company also did not send non-renewal notices listing specific reasons within the required timeframe and failed to establish adequate procedures to minimize the occurrence of improperly charged rates.

**AIU Insurance Company and American Home Assurance Company** were fined \$7,050 and \$3,050 respectively. Both companies failed to state specific reasons on coverage denial notices and non-renewal notices and failed to send out the non-renewal notices in a timely manner. They also failed to retain mandatory inspection reports and to prominently explain premium surcharges. AIU also did not establish adequate procedures to minimize the occurrence of improperly charged rates.

**The Insurance Company of the State of Pennsylvania** was fined \$2,500 for failing to establish adequate procedures to minimize the occurrence of charging improper rates.

**Illinois National Insurance Company and National Union Fire Insurance Company of Pittsburgh, PA** were fined \$1,000 and \$1,300 respectively for failing to prominently explain premium surcharges on policies. Illinois National also failed to properly apply merit rating plans. National Union Fire was also cited for failing to send non-renewal notices to policyholders listing specific reasons within the required timeframe.

### **Property Insurance Violations**

**State Farm Mutual Automobile Insurance Company**, the second largest auto insurer licensed in the state of New York and headquartered in Bloomington, Illinois was fined \$50,000 for not providing adequate staff supervision in preparing independent adjuster license applications which resulted in 23 company employees submitting certificates of character that contained false information.

**Federal Insurance Company** and **Vigilant Insurance Company**, both members of Chubb & Son Insurance Companies located in New Jersey, were fined \$41,200 and \$2,875, respectively. Market conduct investigations covering the period of July 1996 through June 1997 revealed that the companies failed to charge filed rates.

Federal Insurance Company also failed to maintain in its underwriting files the specific criteria used to rate a risk, failed to perform audits in a timely manner to determine a policy's final premium, and failed to maintain certain information in the underwriting files for the required time period. The company also failed to report fire claims adequately to the Property Loss Register, failed to furnish anti-arson applications, and failed to establish adequate procedures to minimize the occurrence of improperly charged rates. In addition, Vigilant Insurance Company failed to properly indicate special risk classification codes and Free Trade Zone disclosure notices when necessary.

**Markel Insurance Company** based in Evanston, Illinois was fined \$32,850 after a market conduct investigation revealed that between October 1996 and September 1997, the company knowingly charged rates that departed from the rating plans and standards in effect. In addition, the company did not provide specific reasons on non-renewal notices and did not properly notify policyholders of its intention to conditionally renew commercial policies. The company also did not use required notices and properly display classification codes on policies written in the free trade zone. Markel also failed to properly report fire losses to the Property Insurance Loss Register and did not rescind policies when anti-arson applications were not returned.

### **Life Insurance Violations**

**Amalgamated Life Insurance Company** headquartered in New York City was fined \$30,000. An examination of the company for the period January 1993 through December 1996 revealed that the company did not adequately maintain a complete advertising file, used unfiled rates for certain group disability policies and paid commissions to agents who were not appointed as agents of the company.

An examination of **AUSA Life Insurance Company**, covering the period January 1993 through December 1996, revealed that the company used an

unapproved policy form and failed to properly maintain all relevant information for terminated policies in its files. The company was fined \$50,000. The company is located in New York City and is the fourteenth largest life insurer in the State of New York in terms of 1997 premiums.

**Principal AMA Life Insurance Company**, among the top twenty largest life insurers in New York State and headquartered in Des Moines, Iowa was fined \$1,000 for failing to respond in a timely manner to an Insurance Department questionnaire regarding the Health Care Reform Act.

