

STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE
MARKET CONDUCT EXAMINATION

OF

INFINITY INSURANCE COMPANY
Birmingham, Alabama

January 1999

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January 8, 1999

Honorable Connie O'Connell
Commissioner of Insurance
State of Wisconsin
121 East Wilson Street
Madison, WI 53702

Commissioner:

In accordance with your instructions, a limited desk audit market conduct examination was conducted from September 21 to 23, 1999, on the:

INFINITY INSURANCE COMPANY
Birmingham, Alabama

and the following report is respectfully submitted.

I. INTRODUCTION

The company is a medium-sized stock company which writes only Private Passenger Auto Liability and Physical Damage coverage in the state of Wisconsin. The company has been doing business in the state of Wisconsin since 1981. The home office is located in Birmingham, Alabama. Infinity Insurance is licensed to do business in these states as well: Washington, Oregon, Idaho, Montana, California, Arizona, New Mexico, Texas, South Dakota, Oklahoma, Arkansas, Missouri, Iowa, Illinois, Kentucky, Pennsylvania, New York, and Florida.

Infinity Insurance Company wrote the following premiums and paid the following losses during 1997.

	Direct Premium Written	Direct Losses Paid
Total Company	\$263,880,650	\$113,186,604
Wisconsin Business Only	\$2,950,637	\$2,195,272

During 1997, the company wrote the following premiums and paid the following

losses in the state of Wisconsin:

Wisconsin Business Line of Business	1997			
	Premium Written	% of Total	Losses Incurred	Pure Loss Ratio
Private Passenger Auto Liability	\$1,856,257	63%	\$1,500,077	67%
Private Passenger Physical Damage	1,094,380	37	751,971	33
Total	\$2,950,637	100%	\$2,252,048	100%

During 1996, the company wrote the following premiums and paid the following

losses in the state of Wisconsin:

Wisconsin Business Line of Business	1996			
	Premium Written	% of Total	Losses Incurred	Pure Loss Ratio
Private Passenger Auto Liability	\$1,914,179	70%	\$932,818	54%
Private Passenger Physical Damage	821,267	30	803,907	46
Total	\$2,735,446	100%	\$1,736,725	100%

The Infinity Insurance Company was #1 on the 1997 Automobile Insurance

Complaint Summary. The company's complaint ratio was .95 complaints/\$100,000 of written premium. The Wisconsin average for 1997 was .07 complaints/\$100,000 of written premium. Infinity Insurance Company had 26 complaints during 1997 of which 16 alleged handling or settlement delays. The complaint count for 1996 was 17 which is an increase of 10 complaints in 1997. The 1995 complaint count was 7. 1997 marks the third year of large increases in complaints about this company

During the year of 1997, OCI received 26 complaints against the company. As of the date of this report, 8 complaints have been received against this company for 1998. The total number of complaints received in 1998, has decreased from the number of complaints received in 1997.

The company received the majority of its complaints in 1997. As noted below in Table B, over one-half of all the complaints against the company are related to delays in processing. The complaint pattern indicates that this examination is necessary because of the relatively high number of complaints reported in the 1997 Insurance Complaints and Administrative Actions.

Table B: Summary of Complaints

Complaints 01/01/97 thru 12/31/97	Total No.	Underwriting No.	Claim Handling No.	Policyholder Service No.	Marketing & Sales No.
Private Passenger Auto	26	5	16	3	2

Complaints 01/01/96 thru 12/31/96	Total No.	Underwriting No.	Claim Handling No.	Policyholder Service No.	Marketing & Sales No.
Private Passenger Auto	17	7	8	1	1

II. PURPOSE AND SCOPE

The examination was conducted to determine if the company's practices and procedures comply with Wisconsin insurance statutes and rules. The examination included, but was not limited to, a review of the following company practices and procedures:

Business Line	Area
Private Passenger Automobile	Underwriting Procedures Claims Procedures Marketing and Sales Policyholder Service Forms

III. SUMMARY AND FINDINGS

Underwriting

The company underwriting manuals and procedures were reviewed. The examiners verified that the company does not use information about domestic violence for underwriting purpose whether allegations, convictions, or prior claims. The company does use credit history as one of the criteria for underwriting. However, the company does not deny coverage only on the basis of a credit report. The following exception was noted:

The company's underwriting procedures currently allow for the voiding of coverage if the first payment is a NSF check for new business. The policy currently voids a binder if payment by check comes back NSF.

It is recommended that the company rewrite its underwriting section item 9, Flat Cancellations-NSF checks, which states that problems with the initial payment will result in flat cancellation of the policy. This wording is contrary to s. 631.36 (2), Wis. Stat. A nonpayment event or the cancellation of bound coverage, in the first 60 days of a policy, requires a ten-day cancellation notice during which coverage is provided until the cancellation date.

Policy Forms

All 3 forms were reviewed. This included 1 auto policy form 00882 R0795 and 2 applications. The examiners found that Form 00882 R0795 does not comply with s. 632.32, Wis. Stat., requirements. This form has been approved previously by OCI. The form no longer meets the requirements of s. 632.32, Wis. Stat. The form specifically:

- Excludes non-owned autos for relatives contrary to, s. 632.32 (6)(b) 1, Wis. Stat.
- Limits coverage contrary to s. 632.32 (5) (b), Wis. Stat.
- Excludes coverage to persons related by blood or marriage contrary to s. 632.32 (6) (b) 1, Wis. Stat.
- Excludes chiropractic care contrary to s. 632.32 (4) (b), Wis. Stat.
- Excludes hit-and-run accidents contrary to s. 632.32 (4) (a), Wis. Stat.
- Includes exclusion 17 which is too restrictive to achieve the purposes of the policy, s. 631.20 (2) (a) 1, Wis. Stat.
- Includes Named Driver Non-Owner Coverage that does not comply with Bindrim v. Colonial Insurance Company, 190 Wis. 2d 525.
- Appears to offer an Accidental Death Benefit. The company is not licensed to sell this class of coverage. This is contrary to s. Ins 6.75(2)(c), Wis. Adm. Code.

It is recommended that the company stop using form 00882 R0795 immediately, rewrite form 00882 R0795 to exclude the noncomplying terms and bring the form into compliance with Wisconsin regulations. It is also recommended that the company submit the form to the Examiner signing this report for approval and gain that approval before using the form, s. 631.20, Wis. Stat.

Claims

The company was asked in interrogatories if they could provide any explanation for the increase in complaint activity from 1995 to 1997. The company explains that high levels of complaint activity resulted from staffing problems which now appear resolved. Complaints have decreased from 26 in 1997 to 8 in 1998 as described above.

The examiners reviewed the company's claims procedure documents. The review determined that the company reimburses sales tax on the value of the total-loss vehicles at time of settlement. It also revealed that the deductible charged to its policyholders is reimbursed them as subrogation amounts are collected. When an installment plan is used for recovery of funds from third parties, the company currently waits until the entire deductible is recovered before reimbursing.

The company should have a plan to show how it will reimburse deductibles when receiving installment subrogation payments. The plan should describe when partial reimbursement of the deductible is appropriate, such as when six months of payments have been collected or \$100.00 has been received toward the deductible amount.

It is recommended that the company submit a plan describing how it will reimburse deductibles when subrogation is collected by installment payments. It is also recommended that the company completely and properly document its subrogation files to show when its policyholders were reimbursed for their deductibles, in order to ensure compliance with Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d 263.

Policyholders Service and Complaints

The company policyholders service and complaints procedure documents were reviewed and no exceptions were noted. The company received 26 complaints in 1997. As noted in Table B above, over one-half of all the complaints against the company are related to delays in processing claims. In general, the number of complaints received during 1998 indicates the complaints may have moderated.

Agents

The company provided an alphabetized list of 825 Wisconsin agents. The list provided a sample of 85 agents. This agents list was reviewed and compared to the list of active agents known to OCI. The following agents were found as unlisted agents:

Agent	License	Company Response
Knepel, Mark	658039	Appointed 8-11-93
Kraus, Douglas	2015899	Failed to appoint
Latenschlager, Lucille	2323114	Failed to appoint
Muligan, John E.	999797	Company misspelled name
Swisher, Wesley A.	2347658	Submitted OCI 11-001; appointed 11-11-98
Wagner, Marjorie	577874	Failed to appoint
Wolff, Duane	616615	Submitted with wrong license number

It is recommended that the company implement a written plan to ensure agent appointments the state of Wisconsin are current and that business is accepted from appointed agents only, per s. 628.11, Wis. Stat., and s. Ins 6.57, Wis. Adm. Code.

IV. CONCLUSION

The desk audit resulted in 4 recommendations being made to the company. The company will need to make changes to its personal automobile policy form before it can continue to use that form in Wisconsin. Also, the recommendation to implement a plan verifying that it uses only appointed agents is significant. The examiner will continue to monitor the company and may recommend a full examination if the complaint trends do not improve.

V. SUMMARY OF RECOMMENDATIONS

UNDERWRITING

1. Page 5 - It is recommended that the company rewrite its underwriting section item 9, Flat Cancellations-NSF checks, which states that problems with the initial payment will result in flat cancellation of the policy.

FORMS

2. Page 6 - It is recommended that the company stop using form 00882 R0795 immediately, rewrite form 00882 R0795 to exclude the noncomplying terms, and bring the form into compliance with Wisconsin regulations. It is also recommended that the company submit the form to the Examiner signing this report for approval and gain that approval before using the form, s. 631.20, Wis. Stat.

CLAIMS

- 3 Page 6 - It is recommended that the company submit a plan describing how it will reimburse deductibles when subrogation is collected by installment payments. It is also recommended that the company completely and properly document its subrogation files to show when its policyholders were reimbursed for their deductibles, in order to ensure compliance with Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d 263.

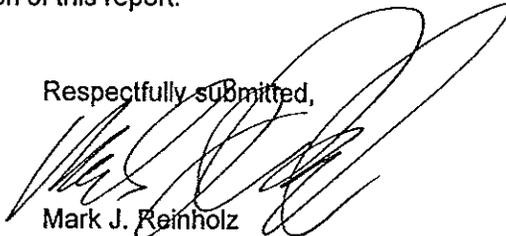
AGENTS

4. Page 7 - It is recommended that the company implement a written plan to ensure agent appointments to the state of Wisconsin are current and that business is accepted from appointed agents only, per s. 628.11, Wis. Stat., and s. Ins 6.57, Wis. Adm. Code.

VI. ACKNOWLEDGMENT

The examiners acknowledge the cooperation and courtesy extended by the company. In addition to the undersigned Jane Kovacik of the Office of the Commissioner of Insurance, participated in the examination and preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark J. Reinholz', written over the typed name below.

Mark J. Reinholz
Examiner-in-Charge

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