



Market Conduct Examination

ATLANTIC MUTUAL INSURANCE COMPANY
CENTENNIAL INSURANCE COMPANY
AND
ATLANTIC SPECIALTY INSURANCE COMPANY
MADISON, NEW JERSEY

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE
Office of Consumer Protection Services

Market Conduct Examination Section

Report Adopted: August 11, 2005

MARKET CONDUCT EXAMINATION

of the

ATLANTIC MUTUAL INSURANCE COMPANY

CENTENNIAL INSURANCE COMPANY

And

ATLANTIC SPECIALTY INSURANCE COMPANY

Located in

MADISON, NEW JERSEY

as of

February 10, 2004

BY EXAMINERS

of the

STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF CONSUMER PROTECTION SERVICES

MARKET CONDUCT EXAMINATION SECTION

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I. INTRODUCTION

A. SCOPE AND PURPOSE OF THE EXAMINATION

This is a report of the Market Conduct activities of the Atlantic Mutual Insurance Company, Centennial Insurance Company and Atlantic Specialty Insurance Company (hereinafter referred to as Atlantic Mutual or “the Companies”). In this report, examiners of the New Jersey Department of Banking and Insurance (NJDOBI) present their findings, conclusions, and recommendations as a result of their market conduct examination. The Market Conduct Examiners were Robert J. Only, Examiner-in-Charge, Ralph Boeckman, Anthony Cecere and Patricia Wilson Covington.

The scope of this examination was to evaluate the Atlantic Mutual Companies’ compliance with maximum settlement time frames on first and third party private passenger automobile insurance claims, as well as a targeted review of regulations and statutes that pertain to fraud prevention and detection initiatives. This examination covered Atlantic Mutuals’ New Jersey private passenger automobile insurance business activities during the period January 1, 2003 to December 10, 2003. The examiners completed their fieldwork at the Companies’ Madison, New Jersey office between October 18, 2004 and December 10, 2004. On various dates thereafter, the examiners completed additional review work and report writing.

The examiners randomly selected files and records from computer listings and documents provided by the Companies. The random selection process is in accordance with the National Association of Insurance Commissioner's (NAIC) Market Conduct Handbook. In addition, the examiners used the NAIC Handbook, Chapter VI - Conducting the Property and Casualty Examination, as a guide to examine the Companies and write this report.

B. ERROR RATIOS

Error ratios are the percentage of files which the examiners found to be handled in error. A file is counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. Even though the file may contain multiple errors, the examiners counted the file only once in calculating the error ratios; however, any file that contains more than one error will be cited more than once in the report. In the event that the Companies corrected an error as a result of a consumer complaint or due to the examiners' findings, the error is included in the error ratio. If the Companies corrected an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios.

Some of the statutes and/or regulations cited in this report define unfair practices or practices in general as specific acts that an insurer commits so frequently that it constitutes an improper general business practice. Whenever the examiners find that the errors cited constitute an improper general business practice, they have stated this in the report.

The examiners sometimes find improper general business practices or errors of an insurer that may be technical in nature or which did not have an impact on a consumer. Although such errors or practices would not be in compliance with law, the examiners do not count each of these files as an error in determining error ratios. Whenever such business practices or errors do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners indicate in the report whenever they did not include particular files in the error ratio.

The examiners submitted written inquiries to the Companies' representatives on the errors cited in this report. These inquiries provided the Atlantic Mutual Companies the opportunity to respond to the examiners' findings and to provide exceptions to the statutory and/or regulatory errors or mishandling of files reported herein. In response to these inquiries, the Companies agreed with some of the errors cited in this report. On those errors with which the Companies disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all comments. In some instances, the examiners did not cite the files due to the Companies' explanatory responses. In others, the errors remained as cited in the examiners' inquiries. For the most part, this is a report by exception.

C. COMPANY PROFILE

Atlantic Mutual was founded in 1842 as a New York domiciled mutual insurance company. It originally provided marine insurance to New York City ship owners. Over the years, Atlantic Mutual added commercial and personal property-casualty lines of business. Today, the company concentrates primarily on writing package policies including home, auto, umbrella, valuables, and other coverage for individuals.

Atlantic Mutual is the trade name for a group of companies that includes Atlantic Mutual Insurance Company, Centennial Insurance Company, a stock subsidiary formed in 1941, Atlantic Lloyds Insurance Company of Texas, formed in 1981, Atlantic Companies Holding Corp., formed in 1987, Atlantic Risk Services, Inc., formed in 1992, Atlantic Mutual of Bermuda LTD., formed in 1997 and Atlantic Mutual International Ltd., formed in 2000. As a mutual company, Atlantic Mutual Insurance Company is owned by its policyholders and has neither capital stock nor shareholders. Its products are sold through independent agents. Atlantic Mutual's home office is in New York City, and

its administrative office is in Madison, New Jersey. The Technology and Customer Service Division is in Roanoke, Virginia.

On January 29, 2004 the Atlantic Mutual Companies, on behalf of affiliate Atlantic Specialty Insurance Company, filed an application to withdraw from writing personal lines insurance business in the State of New Jersey. The Atlantic Mutual Companies sold Atlantic Specialty Insurance Company and its commercial renewal rights to OneBeacon Insurance Group. Atlantic Mutual's withdrawal plan included a transfer of all Atlantic Specialty Insurance Company's in-force private passenger auto policies to Centennial Insurance Company. The withdrawal and transfer process began in mid-September 2004.

II. CLAIMS

A. INTRODUCTION

This review covers paid and denied Personal Injury Protection (PIP), collision, comprehensive and property damage claims submitted under private passenger automobile insurance. Any such New Jersey claim closed during calendar year 2003 was subject to review. During this period, Atlantic Mutual closed 1,750 paid and 130 denied claims, and Centennial closed 1,653 paid and 99 denied claims, and Atlantic Specialty closed 1,454 paid and 100 denied claims, for a total of 5,186 claims closed during the review period. From this total, the examiners randomly selected and reviewed 591 paid and 153 denied claims for an overall review population of 744 claims.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness requirements in settling first and third party claims. The examiners conducted specific reviews placing particular emphasis on N.J.S.A. 17:29B-4(9), N.J.A.C. 11:2-17, N.J.A.C. 11:3-10.5 (timeliness of settlement and notification of delay) and N.J.S.A. 39:6A-5 (payment of Personal Injury Protection Benefits). These requirements relate to the NAIC Market Conduct standards of Chapter VI - Property and Casualty Insurance Examinations.

B. ERROR RATIOS

The examiners calculated the error ratios by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately based on the review samples as indicated in the following charts. A file is considered in error when settlement extended beyond maximum regulatory time frames. The PIP review consisted of one randomly selected bill from each file. Chart one below itemizes all randomly selected paid claims reviewed, along with total files in error and error ratio by category. Chart two below itemizes all randomly selected denied claims reviewed, along with total files in error and error ratio by category.

1. Paid Claims

<u>Review Category</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<u>Pip Claims</u>			
Atlantic Mutual	48	28	58%
Centennial	50	22	44%
Atlantic Specialty	<u>50</u>	<u>31</u>	<u>62%</u>
Subtotal	148	81	55%
<u>Collision Claims</u>			
Atlantic Mutual	50	0	0%
Centennial	50	0	0%
Atlantic Specialty	<u>50</u>	<u>0</u>	<u>0%</u>
Subtotal	150	0	0%
<u>Comprehensive Claims</u>			
Atlantic Mutual	50	0	0%
Centennial	50	0	0%
Atlantic Specialty	<u>43</u>	<u>1</u>	<u>2%</u>
Subtotal	143	1	0.7%
<u>Property Damage Claims</u>			
Atlantic Mutual	50	0	0%
Centennial	50	3	6%
Atlantic Specialty	<u>50</u>	<u>0</u>	<u>0%</u>
Subtotal	150	3	2%
Random Totals	591	85	14%

2. Denied Claims

<u>Review Category</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<u>Pip Claims</u>			
Atlantic Mutual	20	0	0%
Centennial	15	0	0%
Atlantic Specialty	<u>20</u>	<u>0</u>	<u>0%</u>
Subtotal	55	0	0%
<u>Collision Claims</u>			
Atlantic Mutual	19	0	0%
Centennial	15	0	0%
Atlantic Specialty	<u>9</u>	<u>0</u>	<u>0%</u>
Subtotal	43	0	0%
<u>Comprehensive Claims</u>			
Atlantic Mutual	1	0	0%
Centennial	0	0	0%
Atlantic Specialty	<u>2</u>	<u>0</u>	<u>0%</u>
Subtotal	3	0	0%
<u>Property Damage Claims</u>			
Atlantic Mutual	31	0	0%
Centennial	4	0	0%
Atlantic Specialty	<u>17</u>	<u>0</u>	<u>0%</u>
Subtotal	52	0	0%
Random Totals	153	0	0%

C. PERSONAL INJURY PROTECTION CLAIMS

1. Failure to Pay PIP Claims Timely – 74 Files in Error (Improper General Business Practice)

N.J.S.A. 39:6A-5g states that a claim "shall be overdue if not paid within 60 days after the insurer is furnished written notice of the fact of a covered loss..." **N.J.A.C. 11:2-17.7(b)** states that, "The maximum period for all personal injury protection (PIP) claims shall be 60 calendar days after the insurer is furnished written notice of the fact of a covered loss; provided however that an insurer may secure a 45-day extension in accordance with **N.J.S.A. 39:6A-5**." The examiners checked for compliance with Standard number three in the claims section of the NAIC Market Conduct Examination Handbook which states that the examiners should verify that claims are resolved in a timely manner.

The examiners reviewed 148 paid PIP claims and found that Atlantic Mutual failed to settle 74 claims within the maximum 60-calendar day time frame without securing additional time to investigate, contrary to the above statute and regulation. This represents an error ratio of 50%. In response to inquiries, the Company agreed with the examiners' findings.

SEE APPENDIX A-1 FOR A LIST OF FILES IN ERROR

2. Failure to Pay Interest on Delayed PIP Payments – 74 Files in Error (Improper General Business Practice)

N.J.S.A. 39:6A-5(h) requires the payment of interest on all overdue benefits. This is relative to Standard number six in the claims section of the NAIC Market Conduct Handbook, which states that "Claims (should be) properly handled in accordance with policy provisions and applicable statutes, rules and regulations." The examiners found a total of 74 claims where interest was owed but not paid. The Company agreed with the examiners' findings on 74 PIP claim files. It should be noted that during the field work the Company advised the examiners that it paid all outstanding PIP interest errors that were cited in the exam report.

SEE APPENDIX A-2 FOR A LIST OF FILES IN ERROR

3. Failure to Date Stamp PIP Documents –17 Files in Error

N.J.A.C. 11:2-17.12(b) and **N.J.A.C. 11:3-10.10** state that detailed documentation and/or evidence shall be contained in each claim file in order to permit the Department to reconstruct the Company's activities relative to claims settlement. This is related to Standard number five in the claims section of the NAIC Market Conduct Handbook which specifies that claim files (should be) accurately documented. All papers in the file must be dated accurately by the insurer. During a review of the Atlantic Mutual Companies'

claim files, the examiners discovered 17 instances where the Company failed to date stamp the receipt date of necessary claim forms contrary to the above-referenced regulations. In response to inquiries, the Company agreed with the examiners' findings.

SEE APPENDIX A-3 FOR A LIST OF FILES IN ERROR

D. PHYSICAL DAMAGE CLAIMS

4. Failure to Settle First Party Claim within 30 Days and Failure to Issue Notice of Delay – 1 File in Error

N.J.A.C. 11:3-10.5(a) states that, unless clear justification exists, or unless provided by law, the maximum payment period for physical damage claims shall be 30 calendar days. This is relative to Standard number six in the claims section of the NAIC Market Conduct Handbook, which states that "Claims (should be) properly handled in accordance with policy provisions and applicable statutes, rules and regulations." In addition, N.J.A.C. 11:3-10.5(b) states that, if an insured is unable to settle a physical damage claim within this 30-day time period, the insurer must send to the claimant a written notice by the end of this period, specifying the reason for delay. Contrary to N.J.A.C. 11:3-10.5(a), the Company became aware of comprehensive loss **53827199** on April 15, 2004 and issued payment on May 22, 2003, or seven days beyond the maximum 30-day period. Contrary to N.J.A.C. 11:3-10.5(b), the Company failed to issue to the insured a written notice explaining the reason for the delay in settlement. The Company agreed with these findings.

5. Failure to Inspect Property Damage Claim Within 10 Working Days – 1 File in Error

In accordance with N.J.A.C. 11:3-10.3(a), made applicable to third party losses pursuant to N.J.A.C. 11:2-17.10(a), if the insurer intends to exercise its right to inspect, or cause to be inspected by an independent appraiser, damages prior to repair, it shall have 7 working days following receipt of notification of claim to inspect the claimant's damaged property at a place and time reasonably convenient to the claimant, provided that the claimant has not refused to make the property available for inspection. For third-party property damage claims, this paragraph shall apply once the insured's liability is reasonably clear.

Contrary to the regulation, on Centennial property damage claim **18926548** the Company became aware of the loss January 24, 2003, and the claimant's vehicle was inspected on March 20, 2003, 32 working days beyond the appropriate time frame. In response to an inquiry, the Company agreed with the examiners' findings.

6. Settlement Delays and Failure to Issue 45-Day Delay Notice on Property Damage Claims – 3 Files in Error

N.J.A.C. 11:2-17.7(c)2 and N.J.A.C. 11:2-17.7(e) states that, unless clear justification exists, the maximum payment periods for property liability claims shall be 45 calendar days from receipt by the insurer of notification of claim. If the insurer is unable to settle the property damage claim within the time period specified, the insurer must send to the claimant a written notice of delay after the initial notice of loss and every 45 days thereafter until all elements of the claim are either honored or rejected. This is relative to Standard number three in the claims section of the NAIC Market Conduct Handbook which states, “the company (should take) adequate steps when resolving claims in a timely manner in accordance with applicable statutes, rules and regulations, and contract language.”

The examiners found three property damage claims in which the Company failed to settle the claim within the 45-day period specified by N.J.A.C. 11:2-17.7(c)2. The Company agreed with these findings. The examiners also found that Atlantic Mutual did not issue letters of delay to the claimant on two of these three claims, contrary to N.J.A.C. 11:2-17.7(e). Atlantic Mutual also agreed with these errors.

SEE APPENDIX A-4 FOR A LIST OF FILES IN ERROR

E. SUMMARY

This exam focused on timeliness issues related to PIP, Collision, Comprehensive and Property Damage coverage. Errors included failure to pay PIP claims timely, failure to pay interest on overdue PIP benefits, failure to date stamp the receipt date of necessary claim forms, failure to settle first and third party claims within the maximum settlement periods, failure to issue delay notices on first and third party claims and failure to inspect a property damage claim within ten working days.

The examiners reviewed a random sample of 591 paid claims and found 85 in error, for an error ratio of 14%. The examiners found no errors in the random sample of 153 denied claims. Including both paid and denied claims, the examiners found a total of 85 claims in error (all paid claims) out of a random sample population of 744 paid and denied claims, for an overall error ratio of 11%.

III. ANTI-FRAUD COMPLIANCE

A. INTRODUCTION

The examiners conducted anti-fraud compliance reviews on Special Investigation Unit (SIU) files that were opened during the review period of January 1, 2003 to December 31, 2003. The examination focused on the Companies' implementation of the claim portion of its fraud prevention and detection plan that was filed with and approved by the Department. This evaluation included a review of 22 randomly selected SIU claim files, SIU databases, training records and the Company's Anti-Fraud Prevention Detection Procedures Manual. The examiners placed specific emphasis on **N.J.S.A. 17:33A-15** (Insurance Fraud Prevention) and **N.J.A.C. 11:16-6** (Fraud Prevention, Detection Plans and training records).

B. ERROR RATIOS

The examiners calculated the following error ratios by applying the procedure outlined in the introduction of this report. The following charts itemize the review sample and the number of errors.

1. SIU Claim Files

<u>Type of Review</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
SIU Files	22	19	86%

2. Fraud Training Population Review Error Ratio Chart

<u>Review</u>	<u>Records Reviewed</u>	<u>Errors</u>	<u>Error Ratio</u>
Basic Entry Level	14	0	0%
Continuing Education- Claims	15	0	0
Continuing Education – Underwriting	4	0	0
SIU Personnel	<u>1</u>	<u>0</u>	<u>0</u>
Total	34	0	0%

C. EXAMINERS FINDINGS

1. Failure to Record Findings and Recommendations in Writing – 16 Files in Error

N.J.A.C. 11:16-6.4(c)1ii requires an insurer to record its findings in writing, together with its recommendation and reasons to pay or deny a claim upon the completion of an investigation. Contrary to this regulation, Atlantic Mutual's Special Investigation Unit failed to document its findings, as well as the reason for its recommended claim disposition on 16 claim files. The SIU files merely provided detailed descriptions of the investigation, without any written documentation to support its recommendations to either pend, pay or deny the claim. Failure to document this activity is also contrary to Section D, Claims Referral Procedure of Atlantic Mutual's fraud prevention and detection plan, which specifies that "Investigative activity will be reported in the file notes under "Special Notepad" or by email. Recommendations and conclusions shall be reported in the same manner." In response to an inquiry, the Company agreed with the examiners' findings.

SEE APPENDIX B-1 FOR A LIST OF FILES IN ERROR

2. Failure to Use SIU Referral Report Form and Failure to Refer Claim to SIU in Timely Manner – 11 Files in Error

In accordance with **N.J.A.C. 11:16-6.5(b)6**, insurers are required to provide to all appropriate staff a Fraud Prevention and Detection Procedures Manual, which shall include the procedure for referral of a claim or application to the Special Investigation Unit. A review of the Company's SIU manual indicates that when a claim is identified as suspicious, the claim representative shall complete the SIU referral report form.

Contrary to the regulation and the Company's SIU manual, Atlantic Mutual failed to use the SIU referral report form on 10 of the 11 claim files cited as errors. On the 11th claim file, the Company received notice of loss on August 9, 2000, which indicated that passengers in the insured car were present and injured in a collision with another car. The police report, received on the same date, did not reveal any passengers or injuries. Given this inconsistency, however, the Company did not refer this claim to the SIU until 650 days later, on May 20, 2002. In response to inquiries, the Company agreed that referral to SIU for investigation was not timely.

SEE APPENDIX B-2 FOR A LIST OF FILES IN ERROR

3. Failure to Use Prescribed OIFP Referral Form – 8 Files in Error

N.J.A.C. 11:16-6.6(b)1 requires insurers to refer suspicious claims to the OIFP on referral form OIFP-1A. Contrary to the regulation, Atlantic Mutual failed to use the required OIFP referral form on eight claim files. As a result, the examiners were unable to determine whether the referrals occurred within the maximum 30-day period specified in **N.J.A.C. 11:16-6(b)2**. In response to an inquiry, the Company agreed with the examiners' findings that it used an obsolete version of the OIFP referral form on the eight claim files.

SEE APPENDIX B-3 FOR A LIST OF FILES IN ERROR

4. Failure to Report Vehicle Thefts to NICB Within Required Time Frame – 1 File in Error

N.J.A.C. 11:16-2.4(a)1 states that insurers are required to report all thefts of a motor vehicle, or any of its major component parts to the NICB within two working days from the receipt of sufficient information from the insured. Contrary to the regulation, on claim file **53-827990** the Company became aware of the loss on June 10, 2003 and sent notice to the NICB on June 16, 2003, two days beyond the appropriate time frame. In response to an inquiry, the Company agreed with the examiners' findings.

D. SUMMARY

The examiners found that the Company failed to record findings and recommendations in writing, failed to use the required SIU referral report form and failure to refer claims to SIU in timely manner. The Company also did not use the prescribed OIFP referral form and failed to report a vehicle theft to the NICB within the required time frame. The examiners found 19 files in error out of 22 files reviewed for an error ratio of 86%.

IV. RECOMMENDATIONS

The Atlantic Mutual Insurance Companies should inform all responsible personnel and third party entities who handle the files and records cited as errors in this report of the examiners' recommendations and remedial measures that follow in the report sections indicated. The examiners also recommend that the Companies establish procedures to monitor compliance with these measures.

Throughout this report, the examiners cite and/or discuss all errors found. If the report cites a single error, the examiners often include a "reminder" recommendation because if a single error is found, more errors may have occurred.

The examiners acknowledge that during the examination, Atlantic Mutual agreed and had already complied with, either in whole or in part, some of the recommendations. For the purpose of obtaining proof of compliance and for the Companies to provide applicable personnel with a document they can use for future reference, the examiners have listed all recommendations below.

A. GENERAL INSTRUCTIONS

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Clifton J. Day, Manager of the Market Conduct Examinations and Anti-fraud Compliance Unit, Mary Roebling Building, 20 West State Street, PO Box 329, Trenton, N.J. 08625, within thirty (30) days of the date of the adopted report.

On files reopened due to issuance of PIP interest, the Company should send either to the medical provider or the insured, where applicable, a cover letter containing the following first paragraph:

"During a recent review of our claim files by market conduct examiners of the New Jersey Department of Banking and Insurance, they found that we failed to pay interest on your Personal Injury Protection claim. Enclosed is our payment in the amount of (insert amount) to correct out error."

B. CLAIMS

1. The Company must issue written instructions to all applicable claims personnel stating that:

- a. Pursuant to **N.J.S.A. 39:6A-5g** and **N.J.A.C. 11:2-17.7(b)**, insurers are required to pay all PIP claims within 60 days, unless an extension of 45 days is requested in writing.
- b. Pursuant to **N.J.S.A. 39:6A-5h**, insurers are required to pay interest on all overdue PIP benefits when settlement is delayed beyond the maximum settlement periods specified in **N.J.S.A. 39:6A-5g**.
- c. Atlantic Mutual should reopen and review all PIP claims paid during the calendar year 2003 review period. For all payments made beyond the required time period, interest should be calculated and paid for the period of delay as required by **N.J.S.A. 39:6A-5h**. A computer list of all files reopened and the amount of interest paid should be generated and provided to the Commissioner to verify compliance with this recommendation. No interest payments of less than \$1.00 need to be issued; however, all amounts are to be included on the computer listing as requested. Atlantic Mutual should also provide a summary ledger documenting interest payments made on the claims cited in Appendix A.2 of this report. See general instructions for language to be included in the cover letter sent with each interest payment.
- d. Unless clear justification exists, insurers are required to settle first party claims with 30 calendar days from receipt of notice of claim as specified in **N.J.A.C. 11:3-10.5(a)**. Instructions should also state that, pursuant to **N.J.A.C. 11:3-10.5(b)**, insurers are required to send written notices of delay when settlement extends beyond this period.
- e. Insurers are required to settle third party claims within 45 calendar days as specified in **N.J.A.C. 11:2-17.7(c)2**. Instructions should also state that, pursuant to **N.J.A.C. 11:2-17.7(e)**, insurers are required to send written notices of delay when settlement extends beyond this period.

2. The Company must issue reminders to all applicable claims personnel stating that:

- a. Pursuant to **N.J.A.C. 11:2-17.12(b)** and **N.J.A.C. 11:3-10.10**, all documentation contained in the claim file must be date stamped upon receipt.
- b. If an insurer intends to exercise its right to inspect third party damages prior to repair, it must do so within 7-working days following notice of loss as outlined in **N.J.A.C. 11:3-10.3(a)**, made applicable to third party claims pursuant to **N.J.A.C. 11:2-17.10(a)**

C. ANTI-FRAUD COMPLIANCE

3. The Company should issue reminders to all applicable staff, stating that:

- a. **N.J.A.C. 11:16-6.4 (c)1ii** requires SIU personnel to record in writing their findings and recommendations to pay or deny a claim at the completion of an investigation. The Company should consider creating and using a standard SIU investigation summary form rather than relying on either an email or Special Notepad summary.
- b. **N.J.A.C. 11:16-6.5(b)6** and the Company's Fraud Prevention and Detection Manual require insurers to use the SIU Referral Report Form and refer claims to SIU in a timely manner.
- c. **N.J.A.C. 11:16-6.6(b)1** requires insurers to use the current prescribed OIFP-1A form for referring claims to the Office of the Insurance Fraud Prosecutor within the maximum 30-day period specified in **N.J.A.C. 11:16-6(b)2**.
- d. **N.J.A.C. 11:16-2.4** requires insurers to report all motor vehicle thefts to the NICB within two working days.

APPENDIX A – CLAIM ERRORS

1. Failure to Pay PIP Claims Timely - 24 Files in Error

Atlantic Mutual

<u>Claim Number</u>	<u>Notice Date</u>	<u>Date Paid</u>	<u>Days Beyond 60</u>
18889568	09/11/03	11/24/03	14
18921364	12/23/03	03/24/03	31
18929207	10/27/03	02/27/04	63
18925619	03/17/03	06/10/03	25
18925494	02/13/03	04/30/03	17
18928018	06/20/03	08/20/03	01
18926109	12/31/02	02/18/04	354
18925396	05/05/03	08/27/03	54
18925947	12/19/02	05/06/03	78
18926518	02/03/03	05/16/03	42
18927838	06/03/03	08/05/03	3
18927920	06/10/03	10/29/03	81
18928073	09/14/03	11/21/03	18
18926016	01/21/03	05/09/03	48
18924498	08/22/02	03/12/03	142
18923383	03/21/03	05/29/03	5
18927605	10/28/03	05/06/04	131
18928585	09/27/03	11/11/03	47
18928256	07/14/03	09/29/03	17

18927945	06/05/03	09/15/03	42
18922055	07/10/02	05/07/03	241
18925077	01/15/03	04/28/03	43
18927831	06/11/03	08/22/03	7
18927429	05/20/03	07/23/03	4
Average Delay			63

Centennial - 22 Files In Error

<u>Claim Number</u>	<u>Notice Date</u>	<u>Date Paid</u>	<u>Days Beyond 60</u>
18927919	10/20/03	03/04/03	76
18917025	06/09/03	08/18/03	10
18919717	12/01/03	03/17/03	47
18925355	01/21/03	04/02/03	11
18921216	01/15/03	05/07/03	52
18923499	12/18/02	0401/03	44
18925467	11/19/02	01/31/02	13
18927680	06/06/03	09/30/03	56
18926428	01/23/03	09/22/03	182
18926683	10/16/03	01/15/03	31
18927751	06/13/03	09/17/03	36
18913891	03/18/04	09/14/04	125
18920812	04/17/03	07/23/03	37
18924163	01/10/03	06/04/03	85
18926211	02/12/03	05/12/03	39
18926165	02/27/03	08/27/03	121
18926439	06/27/03	08/27/03	1
18927199	04/09/03	03/23/03	29
18927223	03/28/03	08/04/03	69
18927359	05/20/03	09/16/03	59
18928119	06/30/03	10/28/03	55
18926030	12/16/02	03/10/03	24
Average Delay			56 days

Atlantic Specialty – 28 Files In Error

<u>Claim Number</u>	<u>Notice Date</u>	<u>Date Paid</u>	<u>Days Beyond 60</u>
18928249	12/15/03	05/26/04	103
18927086	09/29/03	05/28/04	182
18926713	11/24/03	03/22/04	59
18928424	08/21/03	05/03/04	161
18925741	05/28/03	08/18/03	22
18926523	06/30/03	12/30/03	123
18925963	04/18/03	09/15/03	90
18924565	08/06/02	01/06/03	93
18928111	07/03/03	09/10/03	9
18928685	08/29/03	11/19/03	22
18928070	10/10/03	12/11/03	2
18927537	05/09/03	10/02/03	86
18926438	02/24/03	05/06/03	11
18923943	01/23/03	04/04/03	11
18927740	06/13/03	08/25/03	13
18926031	03/26/03	06/09/03	15
18923010	08/28/03	01/17/04	82
18922217	03/10/03	07/02/03	54
18927682	02/09/04	04/12/04	1
18927991	05/20/04	08/04/04	16
18927230	04/16/03	09/12/03	89

18927695	11/17/03	04/12/04	87
18928169	10/02/03	05/05/04	156
18928184	09/22/03	12/03/03	12
18927917	06/19/03	09/15/03	28
18927416	12/08/03	05/24/04	108
18926235	01/12/04	05/26/04	75
18922856	11/07/03	04/27/04	112
Average Delay			65

2. Failure to Pay Interest on Delayed PIP Payments - 74 Files In Error

Atlantic Mutual

<u>Claim Number</u>	<u>Amount of Claim</u>	<u>Date of Receipt</u>	<u>Date Claim Paid</u>	<u>Days over 60</u>
18889568	\$49.99	09/11/03	11/24/03	14
18921364	\$68.00	12/23/03	03/24/03	31
18929207	\$27.38	10/27/03	02/27/04	63
18925619	\$127.59	03/17/03	06/10/03	25
18925494	\$15,011.85	02/13/03	04/30/03	17
18928018	\$66,779.00	06/20/03	08/20/03	01
18926109	\$1,044.31	12/31/02	02/18/04	354
18925396	\$44.80	05/05/03	08/27/03	54
18925947	\$130.64	12/19/02	05/06/03	78
18926518	\$248.03	02/03/03	05/16/03	42
18927838	\$324.48	06/03/03	08/05/03	3
18927920	\$167.76	06/10/03	10/29/03	81
18928073	\$68.59	09/14/03	11/21/03	18
18926106	\$89.53	01/21/03	05/09/03	48
18924498	\$8,565.67	08/22/02	03/12/03	142
18923383	\$115.20	03/21/03	05/29/03	5
18927605	\$1,560.59	10/28/03	05/06/04	131
18928585	\$146.62	09/27/03	11/11/03	47
18928256	\$880.00	07/14/03	09/29/03	17
18927945	\$100.00	06/05/03	09/15/03	42

18922055	\$72.00	07/10/02	05/07/03	241
18925077	\$270.00	01/15/03	04/28/03	43
18927831	\$90.00	06/11/03	08/22/03	7
18927429	\$100.00	05/20/03	07/23/03	4

Centennial

<u>Claim Number</u>	<u>Amount of Claim</u>	<u>Date of Receipt</u>	<u>Date Claim Paid</u>	<u>Days over 60</u>
18927919	\$158.36	10/20/03	03/04/03	76
18917025	\$605.50	06/09/03	08/18/03	10
18919717	\$49.99	12/01/03	03/17/03	47
18925355	\$90.00	01/21/03	04/02/03	11
18921216	\$93.50	01/15/03	05/07/03	52
18923499	\$171.98	12/18/02	0401/03	44
18925467	\$154.88	11/19/02	01/31/02	13
18927680	\$227.91	06/06/03	09/30/03	56
18926428	\$478.20	01/23/03	09/22/03	182
18926683	\$33.00	10/16/03	01/15/03	31
18927751	\$244.75	06/13/03	09/17/03	36
18913891	\$108.80	03/18/04	09/14/04	125
18920812	\$360.00	04/17/03	07/23/03	37
18924163	\$180.00	01/10/03	06/04/03	85
18926211	\$217,967	02/12/03	05/12/03	39
18926165	\$7.79	02/27/03	08/27/03	121

18926239	\$72.45	06/27/03	08/27/03	1
18927199	\$66.83	04/09/03	03/23/03	29
18927223	\$751.52	03/28/03	08/04/03	69
18927359	\$39.04	05/20/03	09/16/03	59
18928119	\$510.40	06/30/03	10/28/03	55
18926030	\$44.00	12/16/02	03/10/03	24

**Atlantic
Specialty**

<u>Claim Number</u>	<u>Amount of Claim</u>	<u>Date of Receipt</u>	<u>Date Claim Paid</u>	<u>Days over 60</u>
18928249	\$49.99	12/15/03	05/26/04	103
18927086	\$57.16	09/29/03	05/28/04	182
18926713	\$660.30	11/24/03	03/22/04	59
18928424	\$1,476.60	08/21/03	05/03/04	161
18925741	\$2,893.11	05/28/03	08/18/03	22
18926523	\$2,792.38	06/30/03	12/30/03	123
18925963	\$2,133.20	04/18/03	09/15/03	90
18924565	\$1,184.00	08/06/02	01/06/03	93
18928111	\$76.76	07/03/03	09/10/03	9
18928685	\$397.76	08/29/03	11/19/03	22
18928070	\$113.87	10/10/03	12/11/03	2
18927537	\$190.00	05/09/03	10/02/03	86
18926438	\$115.85	02/24/03	05/06/03	11

18923943	\$168.68	01/23/03	04/04/03	11
18927740	\$123.77	06/13/03	08/25/03	13
18926031	\$164.00	03/26/03	06/09/03	15
18923010	\$450.00	08/28/03	01/17/04	82
18922217	\$678.00	03/10/03	07/02/03	54
18927682	\$49.99	02/09/04	04/12/04	1
18927991	\$130.00	05/20/04	08/04/04	16
18927230	\$645.05	04/16/03	09/12/03	89
18927695	\$1,202.70	11/17/03	04/12/04	87
18928169	\$98.85	10/02/03	05/05/04	156
18928184	\$256.60	09/22/03	12/03/03	12
18927917	\$1,158.68	06/19/03	09/15/03	28
18927416	\$975.00	12/08/03	05/24/04	108
18926235	\$111.57	01/12/04	05/26/04	75
18922856	\$43.65	11/07/03	04/27/04	112

3. Failure to Date Stamp PIP Documents - 17 Files In Error

Atlantic Mutual		
<u>Claim Number</u>	<u>Claim Number</u>	<u>Claim Number</u>
18926731	18925995	18926808
18924964	18923383	18927605
18922055		

Centennial		
<u>Claim Number</u>	<u>Claim Number</u>	<u>Claim Number</u>
18913891	18924163	18926439

Atlantic Specialty		
<u>Claim Number</u>	<u>Claim Number</u>	<u>Claim Number</u>
18926769	18926979	18926941
18927695	18928169	18927086
18926713		

4. Settlement Delays and Failure to Issue Delay Notices on Property Damage Claims - 3 Files in Error

Centennial			
<u>Claim Number</u>	<u>Date Received</u>	<u>Date Paid</u>	<u>Days Beyond 45</u>
18926339	2/28/03**	4/17/03	03
18926548	1/24/03	3/20/03	11
18926978*	3/8/03	5/23/03	44

*delay letter error only

**Date third party made claim

APPENDIX B – ANTI-FRAUD COMPLIANCE ERRORS

1. Failure to Record Findings and Recommendations in Writing - 16 Files in Error

Atlantic Mutual		
<u>Claim Number</u>	<u>Claim Number</u>	<u>Claim Number</u>
18-914394	18-927412	18-927232
53-827354	18-927694	18-894099
18-919523	53-827990	53-830040
18-926276	18-921209	53-828183
18-925224		

Atlantic Specialty		
<u>Claim Number</u>	<u>Claim Number</u>	<u>Claim Number</u>
18-929096	53-825338	53-825510

2. Failure to Use SIU Referral Report Form and Failure to Refer Claim to SIU in Timely Manner – 11 Files in Error

Atlantic Mutual		
<u>Claim Number</u>	<u>Claim Number</u>	<u>Claim Number</u>
20-946645	53-828183	18-907276
18-927412	53-827354	53-830040
53-827990		

Atlantic Specialty		
<u>Claim Number</u>	<u>Claim Number</u>	<u>Claim Number</u>
53-825510	18-914954*	18-925224
53-825338		

* Failure to refer claim to SIU in timely manner

3. Failure to Use Prescribed OIFP Referral Form – 8 Files in Error

Atlantic Mutual	
<u>Claim Number</u>	<u>Claim Number</u>
20-946645	53-828183
18-927412	53-827354
53-827990	53-830040
Atlantic Specialty	
<u>Claim Number</u>	<u>Claim Number</u>
53-825510	18-925224

V. VERIFICATION PAGE

I, Robert J. Only, am the Examiner-in-Charge of the Market Conduct Examination of Atlantic Mutual Insurance Company conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct examination of the Atlantic Mutual Insurance Company as of **February 10, 2004**.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

Date:

Robert J. Only
Examiner-In-Charge
New Jersey Department
of Banking and Insurance