[IN ACCORDANCE WITH CALIFORNIA INSURANCE CODE (CIC) SECTION 12938, THIS REPORT WILL BE MADE PUBLIC AND PUBLISHED ON THE CALIFORNIA DEPARTMENT OF INSURANCE (CDI) WEBSITE]

WEBSITE PUBLISHED REPORT OF THE MARKET CONDUCT EXAMINATION OF THE CLAIMS HANDLING, RATING, AND UNDERWRITING PRACTICES OF

AMERICAN FIRE AND CASUALTY COMPANY
NAIC # 24066 CDI # 3202-9

AS OF AUGUST 15, 2013

ADOPTED JANUARY 23, 2014

STATE OF CALIFORNIA

CALIFORNIA DEPARTMENT OF INSURANCE

MARKET CONDUCT DIVISION

NOTICE

The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every adopted report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.

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DEPARTMENT OF INSURANCE
Market Conduct Division
300 Capitol Mall
Sacramento, CA 95814

January 23, 2014

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, California 95814

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under the California Insurance Code Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04, a limited examination was made of the claims handling, rating, and underwriting practices and procedures in California of:

AMERICAN FIRE AND CASUALTY COMPANY
NAIC # 24066
Group NAIC # 0111

Hereinafter, the Company listed above also will be referred to as AFACC or the Company.

This report is made available for public inspection and is published on the California Department of Insurance website (www.insurance.ca.gov) pursuant to California Insurance Code section 12938(b)(1).

FOREWORD

This limited desk examination covered the claims handling, rating, and underwriting practices of the aforementioned Company's Surety business during the period August 16, 2012 through August 15, 2013. The limited examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

This report pertains to Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

The report does not present a comprehensive overview of the subject insurer's practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer's proposals for correcting the deficiencies. When identified violations result in payments by the Company to policyholders or claimants, those amounts paid are identified as recoveries in this report. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices and the Company's responses, if any, have not undergone a formal administrative or judicial process.

SCOPE OF THE EXAMINATION

To accomplish the foregoing, the examination included:

1. A review of specified guidelines, procedures, and forms adopted by the Company for use in California.

2. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about this Company closed by the CDI during the period August 16, 2012 through August 15, 2013; and a review of reports on the previous CDI market conduct examination of this Company; and a review of prior CDI enforcement actions.

This limited examination was conducted at the offices of the California Department of Insurance in Los Angeles, California.

EXECUTIVE SUMMARY

This desk examination was limited in scope to market analysis information, including California consumer complaint information, to national enforcement activity and to information provided by the Company in response to the Department's data request. There was no review of underwriting or claim files during this examination.

There were no alleged violations or findings of non-compliance within the scope of this report.

American Fire and Casualty Company reported $124,710 in written premiums on Surety insurance coverage in California during 2012. The Company closed 25 Surety claims during 2012.

RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS

The market analysis did not identify any specific issues of concern within the scope of this report.

There was no specific area of concern identified in the complaint review.

No prior market conduct examination has been conducted upon this Company by the Department.

DETAILS OF THE CURRENT EXAMINATION

The following tables summarize the Company's responses, within the scope of this report, to the Department's data request and the alleged violations under Section 790.03 and title 10, California Code of Regulations, Section 2695 et al., that resulted from the review of that data. All "NO" answers in the Areas of Review table are addressed in the Summary of Examination Results section of this report. A summary of each of the laws cited due to a "NO" answer is provided in the Cited Statutes and Regulations table.

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	**INDICATION OF COMPLIANCE (YES/NO)**	**SUMMARY OF RESULTS ITEM NUMBER**
Certification by a company principal of claims training – CCR §2695.6(b) [CIC §790.03(h)(3)]	YES	-
Copy of Written Standards for Claims – CCR §2695.6(a) [CIC §790.03(h)(3)]	YES	-
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30-2698.43 [CIC §790.03(h)(3)]	YES	-
Compliance with conducting business in own name – CIC §880 [CIC §790.03(h)(3)]	YES	-
Compliance with use of required fraud language – CIC §1879.2(a) [CIC §790.03(h)(3)]	YES	-
Acknowledgement of notice of claim – CCR §2695.5(e)(1) [CIC §790.03(h)(2)] and/or CCR §2695.10(d) [CIC §790.03(h)(3)]	YES	-

Compliance with requirement to reference a CDI review on denial letters – CCR §2695.10(b) [CIC §790.03(h)(3)]	YES	-
Compliance with claims payment within 15 days -- CCR §2695.10(f)(1) [CIC §790.03(h)(4)]	YES	-
Compliance with claims denial in writing – CCR §2695.10(b) [CIC §790.03(h)(3)]	YES	-

CITED STATUTES AND REGULATIONS	
Citation	**Description**
None	Not applicable

SUMMARY OF EXAMINATION RESULTS

There were no alleged violations or criticisms of the Company's practices made within the scope of this report. There were no recoveries discovered within the scope of this report.