

PUBLIC REPORT OF THE MARKET CONDUCT RE-EXAMINATION

OF THE CLAIMS PRACTICES OF THE

AMERICAN MERCURY INSURANCE COMPANY
NAIC # 16810 CDI # 2253-3

AS OF JANUARY 31, 2003

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE

MARKET CONDUCT DIVISION

FIELD CLAIMS BUREAU

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DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
300 South Spring Street
Los Angeles, CA 90013



August 25, 2003

The Honorable John Garamendi
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, a re-examination was made of the claims practices and procedures in California of:

American Mercury Insurance Company

NAIC # 16810

Hereinafter referred to as American Mercury or the Company.

This re-examination was a result of an examination as of September 30, 2000.

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

SCOPE OF THE RE-EXAMINATION

The re-examination covered the claims handling practices of the aforementioned Company during the period February 1, 2002 through January 31, 2003. The re-examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the re-examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of a re-examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the re-examination.

The re-examination was conducted at the offices of the California Department of Insurance in San Francisco, California.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the re-examination along with the insurer’s proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

CLAIMS SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiner reviewed files drawn from the category of Closed Claims for the period February 1, 2002 through January 31, 2003, commonly referred to as the “review period”. The examiner reviewed 67 American Mercury claims files. The examiner cited no claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following table and summary.

American Mercury			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Mechanical Breakdown	8,018	67	0
TOTALS	8,018	67	0

**SUMMARY OF CRITICISMS, INSURER
COMPLIANCE ACTIONS AND TOTAL RECOVERIES**

There were no citations alleged or criticisms of insurer practices made within the scope of this report. There were no recoveries discovered within the scope of this report.