

Market Conduct Examination

**AMERICAN INTERNATIONAL INSURANCE
COMPANY OF NEW JERSEY**

and

**AMERICAN INTERNATIONAL INSURANCE
COMPANY OF DELAWARE**

Wilmington, Delaware

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

Consumer Protection Services

Market Conduct Examinations and Anti-Fraud Compliance

Report Adopted: October 27, 2008

MARKET CONDUCT EXAMINATION

of the

AMERICAN INTERNATIONAL INSURANCE COMPANY OF NEW JERSEY

and AMERICAN INTERNATIONAL INSURANCE COMPANY OF
DELAWARE

located in

Wilmington, Delaware

as of

March 19, 2008

BY EXAMINERS

of the

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

CONSUMER PROTECTION SERVICES
MARKET CONDUCT EXAMINATION AND ANTI-FRAUD COMPLIANCE

DATE REPORT ADOPTED: OCTOBER 27, 2008

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I. INTRODUCTION

This is a report of the Market Conduct activities of the American International Insurance Company of New Jersey and American International Insurance Company of Delaware (hereinafter referred to as “AIIC NJ or AIIC DE” or “the Company”). 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.

A. SCOPE AND PURPOSE OF THE EXAMINATION

The scope of this examination included private passenger automobile insurance sold by the Company in New Jersey. The examiners conducted an evaluation of the Company’s compliance with select requirements of the FAIR ACT and the regulations and statutes that pertain to automobile underwriting, terminations and prompt payment on PIP claims. This examination covered the Company’s New Jersey private passenger automobile insurance business activities during the period January 1, 2007 to December 31, 2007. Between February 25, 2008 and March 18, 2008, the examiners completed their field work at the Company’s Wilmington, Delaware office. On various dates thereafter, the examiners completed additional review work and report writing in Trenton, NJ. The Market Conduct Examiners included Robert Greenfield, Examiner-in-Charge, and Richard Segin. The examiners randomly selected files and records from computer listings and documents provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioners’ Market Conduct Examination Handbook.

B. ERROR RATIOS

Error ratios are the percentage of files reviewed which an insurer handles in error. A file will also be counted as an error when it is mishandled or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file which contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners’ findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios. For the most part, this is a report by exception. Most of the statutes and/or regulations cited in this report define unfair practices or

practices in general as specific acts that an insurer commits with such frequency that it constitutes an improper general business practice. The examiners have cited and identified in this report all errors that constitute an improper general business practice.

The examiners sometimes find improper general business practices of an insurer that may be technical in nature or which did not have an impact on a consumer. Even though such a practice would not be in compliance with applicable law, the examiners do not count each of these files as an error in determining error ratios. Whenever such business practices do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners have identified all errors and files that are not included in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. This provided AIICDE/NJ the opportunity to respond to the examiners' findings and to provide exception to the statutory and/or regulatory errors or mishandling of files reported herein. In response to these inquiries, the Company agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all comments provided. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries.

C. COMPANY PROFILE

AIIC DE was incorporated and commenced business under the laws of Delaware on September 29, 1989. All outstanding capital stock is owned by American International Group, Inc. AIIC DE acts as a direct writer of personal lines insurance in the state of New Jersey. AIIC DE writes preferred and standard personal automobile insurance. The business is produced through sponsored automobile programs with employer groups, major corporations and associations using membership/customers/employee lists and other advertising media such as mailing kits, inserts and space ads with the goal of producing individually underwritten personal lines policies and through broad-market programs using direct mail. All new business policies, renewals and policy changes are processed in AIIC DE's offices in Wilmington Delaware and its satellite offices.

AIIC NJ was incorporated in New Jersey on December 16, 1996 and commenced business on January 30, 1997. AIIC NJ acts as a direct writer of personal lines insurance in the state of New Jersey. AIIC NJ writes preferred and standard personal automobile insurance. The business is produced through sponsored automobile programs with employer groups, major corporations and associations using membership/customers/employee lists and other advertising media such as mailing kits, inserts and space ads with the goal of producing individually underwritten personal lines policies and through broad-market programs using direct mail. All renewals and policy changes are processed in AIIC NJ's offices Wilmington, Delaware and its satellite offices.

II. UNDERWRITING REVIEW

A. INTRODUCTION

The examiners reviewed randomly selected policy files from the AIIC NJ's database run of 38,779 renewals and from AIIC DE's database run 19,972 new business policies and 95,079 renewal policies that were in force during the period January 1, 2007 to December 31, 2007. The examiners checked for compliance with specific statutes and regulations, including N.J.S.A. 17:29A-38 (reduction of rates for operators 65 years or older), N.J.S.A. 17:29A-46 (uniform application of underwriting guidelines), N.J.A.C. 11:3-15 (coverage selection forms), N.J.A.C. 11:3-35; (automobile insurance underwriting rules). N.J.S.A. 17:29A-6 and 15 (rating plans). These requirements are related to NAIC Standards of Chapter VIII: "Conducting Property and Casualty Insurance Examinations" of the Market Conduct Handbook.

B. ERROR RATIOS

The examiners calculated error ratios for each random sample by applying the procedure outlined in the introduction of this report. Error ratios are itemized separately for the review samples as indicated in the chart that follows.

<u>Review sample</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error ratio</u>
New Business	39	2	5%
Renewals	<u>51</u>	<u>0</u>	0%
Total Random Review	90	2	2%

C. EXAMINERS' FINDINGS

1. Failure to Follow Filed and Approved Underwriting Guidelines and Rating Plans – 2 Files in Error

a. Based on a complaint from the insured, the Company re-rated policy number 3539202 using rating factors for territory 27, which reflects an alternate garage address rather than the principal address located in territory 19. This error caused a premium undercharge of \$217.69. In response to an inquiry the Company stated that, "This was done as an

accommodation to the customer in error...” Placing this policy in the incorrect territory is contrary to **N.J.A.C. 11:3-35.3**, which states in part “No insurer shall use or implement any underwriting rule, not filed and approved as set forth herein.” In addition, failure to rate the policy in the correct territory is contrary to **N.J.S.A. 17:29A-6 and 15**.

b. The Company’s General Rules and Guideline states “Applicant must provide an accurate verifiable residence address. APO/FPO or P.O. Box as the only address is not acceptable.” For policy number 9262177, the Company accepted a P.O. Box address rather than a verifiable residence address contrary to **N.J.A.C. 11:3-35.3** because the Company’s underwriting guidelines require a verifiable address. In response to an inquiry, the Company stated “The physical address was not secured for this insured in error.”

THESE FILES IN ERROR ARE ALSO LISTED IN APPENDIX A

D. OTHER FINDINGS

1. AIIC Quoting Comparison Timeline – 2003 Report and 2008 Report

In the Department’s 2003 market conduct examination report, AIIC’s quote and application processing methodology resulted in an average minimum of 19 business days to actually issue a policy to an applicant. In the current market conduct exam, the examiners found that the Company’s quoting system is improved to the extent that an applicant will now receive a policy within an average of four working days upon receipt of a quote.

III. TERMINATIONS

A. INTRODUCTION

During the review period January 1, 2007 to December 31, 2007, AIIC DE cancelled within 60 days 143 automobile policies, cancelled 1,536 policies due to insured requests and recorded 353 policies cancelled due to non payment of premium. The examiners did not review AIIC NJ files due to a limited number of terminations. Errors, described by type, appear in the chart that follows in the next subsection. The examiners checked for compliance with applicable statutes and regulations and NAIC standards related to this area. These included N.J.A.C. 11:3-8 (nonrenewal of automobile policies), N.J.S.A. 17:33B-15 and 16 (“Take All Comers” laws), N.J.A.C. 11:3-34 and N.J.A.C. 11:3-40 (eligible persons), N.J.A.C. 11:3-44 (rules for effecting auto insurance coverage), N.J.A.C. 11:3-33 (appeals from denial of insurance) and N.J.S.A. 17:29C-7 and 10 (automobile insurance cancellations).

B. ERROR RATIOS

<u>Review Sample</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
60 Day Cancellations	25	5	20%
Non-Pay Cancellations	<u>15</u>	<u>7</u>	47%
Totals	40	12	30%

C. EXAMINERS' FINDINGS

1. Failure to Retain Certified True Copy of Cancellation Notice – 10 Files in Error

N.J.S.A. 17:29C-10 states that “No written notice of cancellation or of intention not to renew sent by an insurer to an insured in accordance with the provisions of an automobile insurance policy shall be effective unless a.(1) it is sent by certified mail or (2) at the time of the mailing of said notice, by regular mail, the

insurer has obtained from the Post Office Department a date stamped proof of mailing showing the name and address of the insured and b. the insurer has retained a duplicate copy of the mailed notice which is certified to be a true copy. Contrary to this statute, the Company failed to retain copies of the legal notice relating to five non-pay policies and five 60-day cancellations. In response to an inquiry, the Company agreed with this error.

SEE APPENDIX B1 FOR FILES IN ERROR

2. Failure to Provide Proof of Mailing – 1 File in Error

According to N.J.S.A. 17:29C-10, “No written notice of cancellation or of intention not to renew sent by an insurer to an insured in accordance with the provisions of an automobile insurance policy shall be effective unless a.(1) it is sent by certified mail or (2) at the time of the mailing of said notice, by regular mail, the insurer has obtained from the Post Office Department a date stamped proof of mailing showing the name and address of the insured and b. the insurer has retained a duplicate copy of the mailed notice which is certified to be a true copy. On policy number 6317878, the company failed to obtain the date stamped proof of mailing. In response to an inquiry, the Company agreed to this error.

THIS FILE IN ERROR IS ALSO LISTED IN APPENDIX B-2

3. Incorrect Use of Nonrenewal Regulation on First 60-Day Cancellation - 1 File in Error

During a review of policies that were cancelled within the first 60 days, the examiners found that the Company utilized an incorrect citation on the 60-day cancellation notice for policy number 4660290. The citation that appeared on the notice was N.J.A.C. 11:3-8.4(b), which is applicable to nonrenewals, not to policies that are cancelled within the first 60 days. In response to an inquiry, the Company stated “The reference to “N.J.A.C. 11:3-8.4(b) was included in error.”

THIS FILE IN ERROR IS ALSO LISTED IN APPENDIX B-3

IV. CLAIMS

A. INTRODUCTION

This review covers paid and denied Personal Injury Protection (PIP) claims submitted under private passenger automobile insurance. Any such New Jersey claim closed during January 1, 2007 to December 31, 2007 was subject to review. AIIC DE closed 4,867 PIP claims and AIIC NJ closed 2,380 PIP Claims. From this total, the examiners randomly selected and reviewed 74 paid and denied claims where company databases indicated that settlement occurred beyond 60 days.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness and notice requirements in settling PIP claims. The examiners conducted specific reviews placing particular emphasis on N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17 (Unfair Claims and Settlement Practices), and N.J.S.A. 39:6A-5 (Personal Injury Protection Claims). 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. The PIP review consisted of one randomly selected bill from each file. The chart below itemizes all randomly selected paid and denied claims reviewed, along with total files in error and error ratio.

Type of Claim	Files Reviewed	Files in Error	Error Ratio
PIP Random Review			
Paid	54	48	89%
Denied	<u>20</u>	<u>19</u>	95%
Totals	74	67	91%

C. PERSONAL INJURY PROTECTION CLAIMS

1. Failure to Settle PIP Claims Timely – 67 Files in Error – Improper General Business Practice

N.J.S.A. 39:6A-5(g) 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." Where such an extension is requested, the maximum settlement period may not exceed 105 days.

The examiners reviewed 54 paid and 20 denied claims randomly selected from the company dataset where the claim payment exceeded the 60 day calendar time frame and found that, pursuant to N.J.S.A. 39:6A-5, the Company failed to secure the 45 day extension for additional time to investigate on 67 out of 74 claims reviewed; the claim file and claim activity logs did not provide any indication that this notice was sent on these 67 claims. Since the Company did not issue the 45 day extension letter, settlement was due no later than 60 days after notice. Delays for both paid and denied claims ranged from a low of 1 day beyond 60 to a high of 238 days beyond 60 to settle the claim. In response to the examiners' inquiry, the Company stated that its Explanation of Benefits (EOB) serves as the delay notice. However, the examiners noted that these EOB's were issued simply as a means to request standard documentation (such as police reports, applications for benefits, etc) necessary to settle the claim and without reference to the need for additional time to investigate. These EOB's were often issued several weeks prior to the first sixty-day settlement period.

SEE APPENDIX C1 FOR A LIST OF FILES IN ERROR

2. Failure to Pay Interest on Delayed PIP Payments – 41 Files in Error - Improper General Business Practice

N.J.S.A. 39:6A-5(h) requires the payment of interest on all overdue benefits. In the 67 paid PIP claims cited above, the Company failed to pay interest on 41 claim payments, or 61% of all claims in which interest was required. Accordingly, the examiners cited this error as an improper general business practice. In response to the examiners' inquiry, the Company neither agreed nor disagreed with these findings; however, the Company did provide a work-in progress, partial list of interest-remediated claims that were processed during the post-field examination period.

SEE APPENDIX C2 FOR A LIST OF FILES IN ERROR

D. CLAIM AND CLAIM EVENT TIME STUDY AND EXCEPTION RATIOS

Based on databases provided for our review, the Company processed a total of 7,247 claims (4,886 were paid and 2,362 were denied) during the review period January 1, 2007 to December 31, 2007. The examiners define a claim as a unique claim number identifier for a specific loss that occurred on a specific date upon which multiple, claim-related paid or denied events are possible (example, one claim number could result in multiple provider bills or insured reimbursements that the Company either paid or denied). The examiners queried these databases and found the claim delay and interest exceptions outlined below. These exceptions constitute improper general business practices due to the high percentages reported.

1. Delayed PIP Settlements (Claim Level)

<u>Claim Type</u>	<u>Overall Population</u>	<u>Number Delay Exceptions</u>	<u>Exception Ratio</u>
Paid Claims	4,885	1,423	29%
Denied Claims	<u>2,362</u>	<u>204</u>	9%
Totals	<u>7,247</u>	<u>1,627</u>	22%

As the above chart indicates, the Company delayed settlement on 29% of all paid claims and on 9% of all denied claims, for an overall exception ratio of 22%.

2. Failure to Pay Interest on Delayed PIP Payments (Claim Level)

<u>Claim Type</u>	<u>Overall Delayed Population</u>	<u>Number Interest Exceptions</u>	<u>Exception Ratio</u>
Paid > 60	1,423	1,328	93%

As the above chart indicates, the Company failed to pay interest on 1,328 delayed PIP settlements out of 1,423 claims in which interest was due, for an exception ratio of 93%.

3. Delayed PIP Settlements (Claim Events)

The examinerS also analyzed timeliness at the claim event level (all claim-related transactions on all claim numbers). Of the 7,247 claims listed in number one above, the examiners developed an overall total of 53,854 claim events (47,600 paid and 6,254 denied). The examiners queried claim databases containing this data and found a delayed settlement ratio of 8% for all paid bills and 5% for all denied bills, for an overall exception ratio of 8%.

V. RECOMMENDATIONS

AIIC DE and AIIC NJ (collectively, the Company) 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 Company 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 the Company agreed and had already complied with, either in whole or in part, some of the recommendations stated in this report. For the purpose of obtaining proof of compliance and for the Company to provide its 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 Roebing Building, 20 West State Street, PO Box 329, Trenton, N.J. 08625, within thirty (30) days of the date of the adopted report.

On all policies to be reopened for additional claim payments, the Company should provide the insured with a cover letter that contains the following first paragraph (variable language is included in parentheses):

"During a review of your claim 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 our error."

B. UNDERWRITING

1. AIIC NJ and AIICDE must issue written instructions to all appropriate personnel reminding them that, pursuant to **N.J.A.C. 11:3-35.3** and **N.J.S.A. 17:29A-6 and 15**, insurers are required to follow their filed and approved underwriting guidelines and rating plans. These instructions should specify that verifiable residences, and not P.O. Boxes, are required on new business policies. These instructions should also state that a policy must be rated based on principal garage address.

C. TERMINATIONS

2. The Company must remind all personnel that in order to comply with **N.J.S.A. 17:29C-10**, it must retain a duplicate copy of the mailed notice which is certified to be a true copy.
3. The Company must issue written instructions to all appropriate personnel stating that, pursuant to **N.J.S.A. 17:29C-10**, the Company must maintain required proof of mailing.
4. The Company must issue written instructions to all appropriate personnel stating a nonrenewal regulation (N.J.A.C. 11:3-8.4(b)) may not be referenced on a first 60-day cancellation notice as justification for termination.

D. CLAIMS

5. AIIC NJ and AIIC DE must issue written instructions to all appropriate personnel stating that **N.J.S.A. 39:6A-5** and **N.J.A.C. 11:2-17.7(a)** require all PIP claims to be settled (paid, denied, compromised) within 60 days unless a valid extension of 45 days is requested in writing and within this 60 day period, and for a total period not to exceed 105 days from the notice of loss. These instructions must also state that, in the event of delay, interest is required pursuant to **N.J.S.A. 39:6A-5h**.
6. The Company must reopen and review all PIP claims paid from the beginning of the review period to the present to determine if interest is owed to the provider/claimant. For all payments made beyond the required time period, interest must be calculated and paid for the period of delay as required by **N.J.S.A. 39:6A-5h**. A computer listing 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, even if less than \$1.00, are to be included on the computer listing. AIIC NJ and AIIC DE should also provide a summary ledger documenting all interest payments made on the claims

cited in Appendix C.2 of this report. See General instructions for appropriate cover letter.

APPENDIX A - UNDERWRITING

1. Failure to Follow Filed and Approved Underwriting Guidelines and Rating Plans - 2 Files in Error

a. Policy Number

9262177

b. Policy Number

3539202

APPENDIX B - TERMINATIONS

1. **Failure to Retain Certified True Copy of Cancellation Notice - 10 Files in Error**

Policy Number

9728113
8310429
6715902
4376356
2633299
7911819
6716381
2258729
2258508
2257700

2. **Failure to Provide Proof of Mailing – 1 File in Error**

Policy Number

6317878

3. **Incorrect Use of Nonrenewal Regulation – 1 File in Error**

Policy Number

4660290

APPENDIX C – CLAIMS

1. Failure to Settle PIP Claims Timely – 67 Files in Error Improper General Business Practice

Claim Number	Bill Receipt Date	Date Settled	Number of Days to Settle > 60
0500420541	4/2/2007	1/25/2008	238
0600182864	6/6/2007	11/6/2007	93
0400608641	4/20/2007	9/17/2007	90
0500288988*	7/3/2007	11/12/2007	72
0500295236*	5/25/2007	7/30/2007	6
0500336714	2/28/2007	10/10/2007	164
0500420541*	4/2/2007	6/14/2007	13
0500420541A*	4/2/2007	1/25/2008	238
0500539002*	7/3/2007	1/7/2008	128
0510019399	5/1/2007	7/19/2007	19
0510026606	1/11/2007	8/24/2007	165
0510033417	3/12/2007	7/2/2007	52
0510034483	2/2/2007	4/6/2007	3
0510720006*	6/11/2007	11/7/2007	89
0511511979	2/23/2007	9/14/2007	143
0600044841*	2/9/2007	6/13/2007	64
0600049651	1/15/2007	8/8/2007	145
0600125576	2/28/2007	9/12/2007	136
0600143600*	1/11/2007	3/19/2007	7
0600147006	2/23/2007	7/5/2007	72
0600182864	2/12/2007	11/6/2007	207
0600191114	4/4/2007	6/21/2007	18
0600201276*	2/21/2007	4/25/2007	3
0600213026	3/12/2007	10/4/2007	146
0600236112	1/2/2007	9/14/2007	195
0600254716	3/2/2007	7/27/2007	87
0600305080	2/2/2007	11/6/2007	217
0600309262	3/26/2007	6/7/2007	13
0600353357	2/8/2007	10/17/2007	191
0600369761	3/15/2007	8/9/2007	87
0600380579	4/30/2007	7/23/2007	24
0600394187	1/22/2007	4/16/2007	24
0600396332*	1/29/2007	4/25/2007	26
0600413086	1/19/2007	6/6/2007	78

Claim Number	Bill Receipt Date	Date Settled	Number of Days to Settle > 60
0600416222	5/18/2007	7/26/2007	9
0600423744	1/2/2007	5/30/2007	88
0600451488*	1/17/2007	4/4/2007	17
0600454957	8/27/2007	1/17/2008	83
0600461904	6/21/2007	10/3/2007	44
0600465663	2/28/2007	9/21/2007	145
0600476967*	9/11/2007	12/6/2007	26
0600482350	2/19/2007	8/9/2007	111
0600482934	3/22/2007	1/3/2008	227
0700014363	7/16/2007	11/14/2007	61
0700011586*	3/7/2007	5/9/2007	3
0700033119*	2/13/2007	8/17/2007	125
0700035760	4/25/2007	11/13/2007	142
0700040308	2/22/2007	10/17/2007	177
0700045779	2/26/2007	6/7/2007	41
0700050656	2/19/2007	4/24/2007	4
0700059617	3/20/2007	12/17/2007	212
0700064117	11/8/2007	1/8/2008	1
0700071073	7/8/2007	1/16/2008	132
0700120771	4/20/2007	10/18/2007	121
0700122619*	4/11/2007	7/9/2007	29
0700133149*	7/30/2007	10/29/2007	31
0700144029	8/13/2007	11/9/2007	28
0700158085*	5/2/2007	1/11/2008	194
0700173988	5/14/2007	10/12/2007	91
0700179103	9/10/2007	12/6/2007	27
0700209396	7/23/2007	11/2/2007	42
0700219624*	6/18/2007	8/21/2007	4
0700223053	7/30/2007	11/1/2007	34
0700300724	8/13/2007	11/13/2007	32
0700302077	9/26/2007	12/3/2007	8
0700306998	11/8/2007	1/24/2008	17
0700341893*	10/15/2007	1/21/2008	38

* = Claim Denied

**2. Failure to Pay Interest on Delayed PIP Payments – 41 Files in Error
- Improper General Business Practice**

Claim Number	Date Bill Received by Company	Date Bill Paid	Number of Days to Pay > 60
0510019399	5/1/2007	7/19/2007	19
0510033417	3/12/2007	7/2/2007	52
0510034483	2/2/2007	4/6/2007	3
0511511979	2/23/2007	9/14/2007	143
0600147006	2/23/2007	7/5/2007	72
0600191114	4/4/2007	6/21/2007	18
0600213026	3/12/2007	10/4/2007	146
0600236112	1/2/2007	9/14/2007	195
0600254716	3/2/2007	7/27/2007	87
0600305080	2/2/2007	11/6/2007	217
0600353357	2/8/2007	10/17/2007	191
0600369761	3/15/2007	8/9/2007	87
0600380579	4/30/2007	7/23/2007	24
0600394187	1/22/2007	4/16/2007	24
0600413086	1/19/2007	6/6/2007	78
0600416222	5/18/2007	7/26/2007	9
0600423744	1/2/2007	5/30/2007	88
0600454957	8/27/2007	1/17/2008	83
0600461904	6/21/2007	10/3/2007	44
0600465663	2/28/2007	9/21/2007	145
0600482350	2/19/2007	8/9/2007	111
0600482934	3/22/2007	1/3/2008	227
0700014363	7/16/2007	11/14/2007	61
0700035760	4/25/2007	11/13/2007	142
0700040308	2/22/2007	10/17/2007	177
0700045779	2/26/2007	6/7/2007	41
0700050656	2/19/2007	4/24/2007	4
0700059617	3/20/2007	12/17/2007	212
0700064117	11/8/2007	1/8/2008	1
0700071073	7/8/2007	1/16/2008	132
0700120771	4/20/2007	10/18/2007	121
0700144029	8/13/2007	11/9/2007	28
0700173988	5/14/2007	10/12/2007	91
0700179103	9/10/2007	12/6/2007	27

Claim Number	Date Bill Received by Company	Date Bill Paid	Number of Days to Pay > 60
0700209396	7/23/2007	11/2/2007	42
0700223053	7/30/2007	11/1/2007	34
0700300724	8/13/2007	11/13/2007	32
0500420554	4/2/2007	1/25/2008	238
0510026606	1/11/2007	8/24/2007	165
0700302077	9/26/2007	12/3/2007	8
0700306998	11/8/2007	1/24/2008	17

V. VERIFICATION PAGE

I, Bob Greenfield, am the Examiner-in-Charge of the Market Conduct Examination of AIC 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 AIC Insurance Company as of March 19, 2008.

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 Greenfield
Examiner-In-Charge
New Jersey Department
of Banking and Insurance