

EXECUTIVE SUMMARY

The Kansas Insurance Department performed a market conduct examination of Armed Forces Insurance Exchange (AFIE). The examination was conducted by reviewing the company underwriting, claims, rating and training manuals. The exam team reviewed underwriting, claim, and complaint files in company's home office in Leavenworth, Ks. A series of meetings were held with AFIE staff that focused on their current operations. To supplement and verify the understanding of how the company does business, a series of samples were selected for review to verify their procedures and practices in claims, underwriting and rating.

The company passed all tests; and in terms of delivering good service to its insureds, the examiners were impressed with the overall positive and very professional performance by the AFIE staff and management to their policyholders. The exam team has made recommendations on several issues. While there were no deficiencies found, the recommendations should enhance the overall service provided to their members.

LIST OF RECOMMENDATIONS

A. Company Operations/Management

Review the Disaster Recovery Program annually.

B. Underwriting and rating

While this was not a problem since AFIE passed the homeowners rating tests, the examination team: recommends the company insure that proper rating rules be followed, including the use of credits and appropriate protection classification. Per KSA 40-953 & KAR 40-955.

C. Claim Processing

1. Claim investigations should be completed within 30 days per KAR 40-1-34 (7). When the company needs more time to determine whether a first party claim should be accepted or denied, it shall so notify the first party claimant within fifteen working days after receipt of the proofs of loss, giving the reasons more time is needed. And every forty-five days thereafter, the company should send to such claimant a letter setting forth the reasons additional time is needed for investigation. Per KAR 40-1-34 (8) (c).

2. While not a problem, the company should remind adjusters that they CANNOT use NADA as the only source to calculate the loss settlement cost. Per KAR 40-1-34 (9)(a)(2)(B).