

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

BANKERS STANDARD INSURANCE COMPANY

(ACE USA)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

**Filed Date: 7/06/01**

## TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	PRE-EXAM REVIEW OF COMPANY WRITINGS	2
III.	REVIEW OF POLICIES	
A.	COMMERCIAL MULTI-PERIL	3
IV.	AGENTS/MGA REVIEW	6
V.	CANCELLATIONS/NONRENEWALS REVIEW	7
VI.	CLAIMS REVIEW	8
VII.	EXHIBITS	9

I. INTRODUCTION

Bankers Standard Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 through December 1998. This examination began August 1, 1999 and ended September 20, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1994.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing and claims for the period of January 1996 through December 1998 as reflected in the report.

This report contains examination results addressing all areas of noncompliance found during the course of the examination. In all instances, the Company was directed to take corrective action as required, issue appropriate refunds, make all necessary filings with the Department and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes/Rules.

II. PRE-EXAM REVIEW OF COMPANY'S WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

The Certificate of Authority/Renewal Invoices were reviewed for all years within the scope of the examination.

2. Error Percentages

The review included verification of the lines of business the Company was authorized to write during the scope of examination versus those lines actually being written. It also included verification that notification requirements were met for any line of business that was discontinued.

No errors were found.

### III. REVIEW OF POLICIES

#### A. COMMERCIAL MULTI-PERIL

##### 1. Application of Rules, Rates and Forms

###### a. Rate/Rule Filings

Bankers Standard Insurance Company is a service purchaser of Insurance Service Offices (ISO) and independently files ISO rules/loss cost in accordance with Section 627.062, Florida Statutes. In addition, the Company does make some independent filings.

###### b. Form Filings

Bankers Standard Insurance Company is a service purchaser of Insurance Service Offices (ISO) and independently files ISO forms in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

###### c. Statistical Affiliation

Insurance Service Offices acts as the Company's official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
1996	\$825,712	170
1997	\$573,490	66
1998	\$140,139	73

3. Exam Findings

Fifteen (15) policy files were examined.

Two (2) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Two (2) errors were due to failure to document or substantiate debits and credits. None of these errors resulted in overcharges. One (1) of these errors for failing to document a credit was cited in the 1994 report, Page 5. This constitutes a violation of Rule 4-170.004, Florida Administrative Code

IV. AGENTS/MGA REVIEW

Ten (10) applications/policies written during the scope of examination were examined.

No errors were found.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

No errors were found.

VI. CLAIMS REVIEW

Fifty (50) claims were examined.

Two (2) errors were found.

None of the errors affected the payments.

The Company's internal claims handling procedures and reserving practices are described in Exhibit I.

The errors are broken down as follows:

- 1 Two (2) errors were due to failure to affix fraud statements to claim forms.  
This constitutes a violation of Section 817.234, Florida Statutes.

VII. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
----------------	-----------------------

CLAIMS PROCEDURES	I
-------------------	---