

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

COMMERCE AND INDUSTRY INSURANCE COMPANY

(AIG, INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed date: 7/2/01

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I. INTRODUCTION

Commerce and Industry Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination. The last examination of this insurer was completed in 1993.

The purpose of this target exam was to review the Company's compliance with filed rates.

During this examination, policy files were reviewed for the period of June 1999 through June 2000, 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.

As a result of the finding of this examination, the Company is directed to re-rate all Pollution Liability policies written or renewed from January 1, 1999 through the date in which the re-rate process begin. At closing of exam, the monetary impact of the refunds has not been determined and is a pending issue.

II. POLLUTION LIABILITY RATE REVIEW

A. POLLUTION LIABILITY

1. General Comments

A review of Pollution Liability rating was conducted to determine if the Company was following it's filed rating plans.

2. Exam Findings

One hundred and six (106) policy files were examined.

From January 1, 1999 through February 1, 2000, ten policies were found to be rated at the correct rates with an additional arbitrary credit applied that effectively reduced the policy premium. These all resulted in undercharges.

From January 1, 1999 through February 1, 2000, four policies were found to be rated at the February 2, 2000 rates (before effective date of the filing proposing the rates). These all resulted in undercharges.

From February 2, 2000 through May 24, 2000, ten policies were found to be rated at the October 17, 1997, rates in lieu of the February 2, 2000 rates. These all resulted in undercharges.

Four errors were due to the failure to document scheduled credits.

Errors affecting premium resulted in twenty-three (23) undercharges totaling \$44,973.00.

The errors are described as follows:

1. Ten (10) errors were due to use of unfilled rating discount factors. These errors resulted in undercharges totaling \$26,481.00. This constitutes a violation of Section 627.062, Florida Statutes.
2. Ten (10) errors were due to charging a reduced premium charge by using the February 2000 rates prior to the effective date. These errors resulted in four (4) undercharges totaling \$17,044.00. This constitutes a violation of Section 626.9541, Florida Statutes.
3. Nine (9) errors were due to charging a reduced premium charge by using the October 1997 rates after the effective date of the February 2000 rates. These errors resulted in nine (9) undercharges totaling \$1,488.00. This constitutes a violation of Section 626.9541, Florida Statutes.
4. Four (4) errors were due to failure to document schedule credits. This constitutes a violation of Rule 4-170.004, Florida Statute Administrative Code.

III . PENDING ISSUES

As a result of the findings of this examination, the Company is directed to re-rate all policies written or renewed from January 1, 1999 through June 26, 2000.

The Company was directed to provide the Department with the number and dollar amount of all policies incorrectly rated wherein the result was an overcharge. The Company is to refund these monies and provide proof to the Department of the refunds in accordance with the rerate/refund procedures provided.

The Company was directed to provide the Department with the number and dollar amount of all policies incorrectly rated wherein the result was an undercharge. The Company is to send a letter, approved by the Department, to all current insureds advising each insured that an error in developing their premium was discovered wherein they were undercharged for their current policy term by the specific premium amount, and advising them that the policy will be rated correctly upon renewal. Proof of the letters being distributed must be furnished to the Department.

IV. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
RATES & FORMS FILING TRANSMITTAL	I
LETTER OF COMMERCE & INDUSTRY RATING HISTORY	II
NOTICE OF AGENCY ACTION INTENT TO DISAPPROVE	III
MAY 24, 2000 LETTER TO CAROL SANBORN	IV