

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

FEDERAL INSURANCE COMPANY
(CHUBB GROUP OF INSURANCE COMPANIES)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 9/14/01

TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	REVIEW OF POLICIES	
	A. HOMEOWNERS	2
III.	EXHIBITS	4

I. INTRODUCTION

Federal Insurance Company is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1999 through June 2000. The examination began April 30, 2000 and ended May 20, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1994.

The purpose of this target examination was to ensure compliance with filed policy requirements pertaining to inflation guard increases applied to dwelling replacement cost values on Homeowners policies for the scope of 1999 and 2000.

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. REVIEW OF POLICIES

A. HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Federal Insurance Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

Federal Insurance Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

Insurance Services Office (ISO) 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>
2000	\$17,738,231	19,694
1999	\$44,386,214	13,354

3. Exam Findings

One hundred (100) policy files were examined.

One hundred (100) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. One hundred (100) errors were due to failure to include the detailed methodology used to calculate inflation guard increases in the original filings. The Company filing did not clearly identify the methodology used to determine the valuation of Coverage A limits with regard to annual inflationary increases. This constitutes a violation of Section 627.062, Florida Statutes. The Company is directed and the Company agreed, to make a detailed filing by July 17, 2001. Exhibits I & II.

III. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
HOMEOWNERS POLICY PROVISIONS	I
COMPANY INFLATION GUARD OVERVIEW	II