

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

INSURANCE COMPANY OF NORTH AMERICA

ACE USA

BY

THE FLORIDA DEPARTMENT OF INSURANCE

## 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.                 | HOMEOWNERS                          | 3                  |
| B.                 | SURETY                              | 6                  |
| IV.                | AGENTS/MGA REVIEW                   | 8                  |
| V.                 | CANCELLATIONS/NONRENEWALS REVIEW    | 9                  |
| VI.                | CLAIMS REVIEW                       | 10                 |
| VII.               | EXHIBITS                            | 11                 |

I. INTRODUCTION

Insurance Company of North America 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 February 1998. This examination began March 19, 2000 and ended May 13, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1995

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 was 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. HOMEOWNERS

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

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

Insurance Company of North America is a service purchaser of Insurance Services Office (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:

Insurance Company of North America is a service purchaser of Insurance Services Office (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 Services Office 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>DWP</u>  | <u>Policy Count</u> |
|-------------|-------------|---------------------|
| 1996        | \$4,248,729 | 10,504              |
| 1997        | \$1,580,130 | 5,125               |
| 1998        | \$ 294,711  | 0                   |

3. Exam Findings

Fifty (50) policy files were examined.

Fourteen (14) errors were found.

Errors affecting premium resulted in three (3) undercharges totaling \$14.10.

The errors are broken down as follows:

1. Eleven (11) errors were due to failure to provide written notice of Wind and Hurricane Deductible as of April 1, 1996. This constitutes a violation of Section 627.701, Florida Statutes.
2. Three (3) errors were due to failure to follow filed rating plan. The Company used incorrect rates. These errors

resulted in undercharges totaling \$14.10. This constitutes a violation of Section 627.062, Florida Statutes.

B. SURETY

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Insurance Company of North America is a member of the Surety Association of America (SAA) and as such SAA is authorized to file rules/rates on the Company's behalf in accordance with Section 627.062 Florida Statutes. In addition, the Company does make some independent filings.

b. Form Filings:

Insurance Company of North America is a member of Surety Association of America (SAA). The Company independently files forms in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Surety Association of America 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>DWP</u> | <u>Policy Count</u> |
|-------------|------------|---------------------|
| 1996        | \$631,569  | 900                 |
| 1997        | \$687,369  | 1,282               |
| 1998        | \$107,323  | 1,292               |

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

IV. AGENTS/MGA REVIEW

Fifty (50) 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.

One (1) error was found.

The error did not affect premium.

The error is broken down as follows:

- 1 One (1) error was due to failure to communicate timely. This constitutes a violation of Rule 4-166.024, Florida Administrative Code.

VII. EXHIBITS

SUBJECT \_\_\_\_\_ EXHIBIT NUMBER

CLAIMS PROCEDURES

I