

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

MASSACHUSETTS BAY INSURANCE COMPANY
(HANOVER INSURANCE COMPANIES)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 10/23/01

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I. INTRODUCTION

In accordance with the provisions of Section 624.3161, Florida Statutes, representatives of the Florida Department of Insurance conducted a target market conduct examination of Massachusetts Bay Insurance Company for the purpose of ascertaining compliance with the reporting requirements contained in Chapters 175 and 185, Florida Statutes.

Insurance companies are required to file reports with the Florida Department of Revenue which accurately identify the geographic location of policies written on specific lines of business, and the amount of premiums written in each fire district or municipality.

Various fire districts and municipalities throughout the state have established pension funds that qualify for distributions of a portion of the premium tax collections. On an annual basis the Florida Department of Revenue provides funds to participating fire districts and municipalities based on the reports received from insurers doing business in this state.

This examination represents the Department's target examination of the Company's reports filed with the Florida Department of Revenue, and covers policies written in calendar year 1998.

III. EXAMINATION FINDINGS

During its examination, the Department requested 1998 policy information from Massachusetts Bay Insurance Company for all policies written in the State of Florida which were subject to Chapters 175 and 185, Florida Statutes. The Company indicated that the 1998 report to the Department of Revenue was prepared using PMS software (Policy Management System) to code risk locations to the proper fire control district and police municipality. The Department utilized geo-coding software to determine the correct code for the fire district and municipality for each of these policies. The Department reviewed a total 11,388 Policies.

The Department's review is summarized as follows:

FIRE DISTRICT RESULTS

Tax Code	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
006	Anna Maria Fire District	\$0.00	\$126.65	(126.65)
018	Cedar Hammock Fire Control District	\$0.00	\$223.54	(223.54)
024	East Naples Fire Control District	\$0.00	\$77.77	(77.77)
038	Indian Rocks Fire Control District	\$0.00	\$54.77	(54.77)
040	Iona McGregor Fire Service District	\$0.00	\$360.48	(360.48)
049	North Ft. Myers Fire Control District	\$0.00	\$397.20	(397.20)
050	North Naples Fire Control District	\$0.00	\$510.57	(510.57)
053	North River Fire Control District	\$0.00	\$235.69	(235.69)
060	Palm Harbor Special Fire Control District	\$0.00	\$12.29	(12.29)
064	San Carlos Fire Service District	\$0.00	\$85.12	(85.12)
066	South Trail Fire Service District	\$0.00	\$968.85	(968.85)
069	Southern Manatee Fire & Rescue District	\$0.00	\$505.06	(505.06)
073	St. Lucie County - Ft. Pierce Fire District	\$63.18	\$1,869.18	(1805.99)
096	Westside Fire Control District	\$0.00	\$163.46	(163.46)
106	Altamonte Springs	\$0.00	\$10.12	(10.12)
118	Apopka	\$78.31	\$3.25	75.07
128	Atlantic Beach	\$33.64	\$33.64	0.00
134	Avon Park	\$176.16	\$6.86	169.30
148	Bartow	\$13.39	\$0.00	13.39
191	Boynton Beach	\$51.06	\$0.00	51.06
192	Bradenton	\$1,096.83	\$0.00	1096.83
203	Brooksville	\$3.17	\$0.00	3.17
222	Cape Coral	\$179.55	\$57.73	121.82
229	Casselberry	\$64.17	\$7.49	56.68
251	Clearwater	\$824.43	\$6.06	818.37
253	Clermont	\$11.63	\$0.00	11.63
257	Cocoa	\$134.37	\$0.00	134.37
287	Dade City	\$33.26	\$0.00	33.26

293	Daytona Beach	\$31.79	\$0.00	31.79
296	Deerfield Beach	\$0.00	\$1.37	(1.37)
298	Deland	\$249.13	\$6.80	242.33
301	Delray Beach	\$5.57	\$9.05	(3.48)
303	Deltona	\$0.00	\$21.06	(21.06)
316	Dunedin	\$1.01	\$0.00	1.01
317	Dunnellon	\$21.64	\$0.00	21.64
331	Edgewater	\$26.09	\$0.00	26.09
349	Eustis	\$52.87	\$0.00	52.87
371	Fort Lauderdale	\$0.47	\$0.00	0.47
374	Fort Myers	\$2,604.70	\$0.00	2604.70
387	Gainesville	\$2,009.56	\$0.00	2009.56
415	Green Cove Springs	\$290.40	\$29.07	261.32
427	Gulfport	\$0.00	\$10.41	(10.41)
431	Haines City	\$2.34	\$6.51	(4.17)
438	Havana	\$127.96	\$0.00	127.96
445	High Springs	\$16.77	\$0.00	16.77
458	Holly Hill	\$5.06	\$0.00	5.06
477	Indialantic	\$9.44	\$0.00	9.44
491	Jacksonville (Consol.)	\$290.38	\$73.03	217.36
492	Jacksonville Beach	\$0.00	\$32.88	(32.88)
515	Kissimmee	\$496.12	\$0.00	496.12
530	Lake City	\$0.60	\$0.00	0.60
539	Lake Mary	\$38.69	\$0.00	38.69
544	Lake Wales	\$60.99	\$0.00	60.99
545	Lake Worth	\$43.31	\$0.00	43.31
546	Lakeland	\$1,267.45	\$77.62	1189.83
553	Largo	\$307.07	\$70.94	236.13
560	Leesburg	\$97.67	\$0.00	97.67
579	Longwood	\$153.53	\$0.00	153.53
592	Macclenny	\$20.32	\$0.00	20.32
596	Maitland	\$39.95	\$0.00	39.95
620	Melbourne & Eau Gallie (Comb.)	\$824.38	\$28.02	796.36
626	Miami	\$56.92	\$0.00	56.92
627	Miami Beach	\$0.00	\$14.47	(14.47)
640	Milton	\$16.39	\$0.00	16.39
666	Naples	\$594.77	\$0.00	594.77
675	New Port Richey	\$70.43	\$0.00	70.43
676	New Smyrna Beach	\$7.49	\$4.68	2.81
695	Ocala	\$3,229.08	\$2.80	3226.28
701	Ocoee	\$26.33	\$3.80	22.52
706	Okeechobee	\$23.00	\$0.00	23.00
709	Oldsmar	\$49.18	\$24.05	25.13
722	Orange Park	\$2,174.63	\$0.00	2174.63
725	Orlando	\$3,004.46	\$0.00	3004.46
728	Ormond Beach	\$16.29	\$0.00	16.29
743	Palatka	\$30.82	\$0.00	30.82
744	Palm Bay	\$49.35	\$0.00	49.35
745	Palm Beach	\$16.87	\$0.00	16.87
755	Panama City Beach	\$0.76	\$0.00	0.76
770	Pembroke Pines	\$181.03	\$0.00	181.03
787	Pinellas Park	\$95.87	\$31.88	63.99
790	Plant City	\$77.87	\$3.74	74.13
801	Port Orange	\$19.89	\$0.00	19.89
811	Punta Gorda	\$111.89	\$0.00	111.89
816	Quincy	\$13.99	\$0.00	13.99
831	Riviera Beach	\$0.00	\$6.77	(6.77)
836	Rockledge	\$17.43	\$0.00	17.43
846	St. Augustine	\$140.03	\$0.00	140.03
849	St. Cloud	\$176.22	\$5.59	170.64

855	St. Petersburg	\$280.51	\$0.00	280.51
856	St. Pete Beach	\$3.11	\$0.00	3.11
865	Sanford	\$76.44	\$0.00	76.44
869	Sarasota	\$2,873.40	\$12.03	2861.37
870	Satellite Beach	\$6.55	\$0.00	6.55
874	Sebring	\$2,389.49	\$22.86	2366.63
875	Seminole	\$266.74	\$0.00	266.74
892	South Daytona	\$27.27	\$0.00	27.27
896	South Pasadena	\$10.41	\$0.00	10.41
898	Springfield	\$26.78	\$0.00	26.78
900	Starke	\$0.26	\$0.00	0.26
916	Tallahassee	\$1,480.72	\$56.70	1424.02
918	Tampa	\$2,219.46	\$3.69	2215.77
920	Tarpon Springs	\$58.20	\$0.00	58.20
925	Temple Terrace	\$0.00	\$13.51	(13.51)
926	Tequesta	\$2.25	\$0.00	2.25
930	Titusville	\$365.61	\$0.00	365.61
941	Venice	\$357.64	\$0.00	357.64
944	Vero Beach	\$485.98	\$0.00	485.98
966	West Palm Beach	\$69.30	\$0.00	69.30
975	Wildwood	\$9.38	\$0.00	9.38
985	Winter Haven	\$60.22	\$6.79	53.43
986	Winter Park	\$278.05	\$0.00	278.05
999	Not In A Tax Territory	\$0.00	\$31,294.50	(31294.50)
1000	Invalid Firefighter Tax Code or no Tax Code Listed	\$4,183.21	\$0.00	4183.21
		\$37,590.39	\$37,590.39	(0.00)
Summary of Invalid Firefighter Tax Code 1000				
		Over Allocated	Number of Entries	
102		\$51.07	9	
169		\$215.98	21	
212		\$20.14	5	
240		\$4.67	1	
270		\$32.98	2	
377		\$844.51	29	
384		\$167.42	20	
481		\$2.23	1	
485		\$650.18	51	
501		\$30.96	2	
524		\$132.12	14	
526		\$9.62	1	
621		\$10.22	1	
736		\$214.56	13	
752		\$266.27	9	
807		\$1,091.47	58	
867		\$0.01	1	
873		\$82.78	9	
879		\$39.72	1	
894		\$16.91	1	
954		\$165.79	3	
963		\$133.61	4	
		\$4,183.21	256	

POLICE OFFICER MUNICIPALITY RESULTS

Tax Code	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
102	Alachua	\$0.00	\$1.01	(1.01)
106	Altamonte Springs	\$17.88	\$0.00	17.88
118	Apopka	\$20.94	\$0.00	20.94
128	Atlantic Beach	\$10.42	\$46.69	(36.27)
134	Avon Park	\$198.20	\$0.00	198.20
148	Bartow	\$5.66	\$12.83	(7.17)
167	Belleair	\$0.00	\$28.23	(28.23)
168	Belleair Beach	\$0.00	\$8.29	(8.29)
169	Bellevue	\$36.18	\$0.00	36.18
191	Boynton Beach	\$0.00	\$6.94	(6.94)
192	Bradenton	\$424.87	\$0.00	424.87
203	Brooksville	\$16.84	\$0.00	16.84
212	Bushnell	\$7.11	\$0.00	7.11
222	Cape Coral	\$26.30	\$6.79	19.51
229	Casselberry	\$1.60	\$1.47	0.13
251	Clearwater	\$610.33	\$27.96	582.38
253	Clermont	\$22.30	\$0.00	22.30
257	Cocoa	\$46.18	\$0.00	46.18
258	Cocoa Beach	\$10.06	\$0.00	10.06
287	Dade City	\$2.46	\$0.00	2.46
293	Daytona Beach	\$168.33	\$6.44	161.88
296	Deerfield Beach	\$9.58	\$0.00	9.58
298	Deland	\$46.47	\$0.00	46.47
301	Delray Beach	\$6.64	\$1.78	4.86
317	Dunnellon	\$18.33	\$0.00	18.33
331	Edgewater	\$1.36	\$0.00	1.36
349	Eustis	\$4.16	\$0.00	4.16
359	Fernandina Beach	\$3.10	\$4.68	(1.58)
374	Fort Myers	\$533.07	\$0.00	533.07
377	Fort Pierce	\$169.44	\$3.62	165.82
384	Frostproof	\$131.36	\$12.63	118.73
387	Gainesville	\$227.81	\$0.00	227.81
415	Green Cove Springs	\$62.47	\$0.00	62.47
416	Greenacres	\$8.87	\$0.00	8.87
427	Gulfport	\$3.18	\$18.08	(14.90)
431	Haines City	\$0.00	\$1.28	(1.28)
458	Holly Hill	\$2.91	\$0.00	2.91
477	Indialantic	\$22.52	\$0.00	22.52
479	Indian Harbor Beach	\$7.99	\$15.60	(7.61)
485	Inverness	\$127.62	\$0.00	127.62
491	Jacksonville (Consol.)	\$186.19	\$49.40	136.79
492	Jacksonville Beach	\$16.18	\$0.00	16.18
501	Jupiter	\$34.07	\$0.00	34.07
515	Kissimmee	\$74.83	\$17.71	57.11
524	Lady Lake	\$0.25	\$0.00	0.25
539	Lake Mary	\$14.91	\$0.00	14.91
544	Lake Wales	\$21.73	\$0.00	21.73
545	Lake Worth	\$1.31	\$0.00	1.31
546	Lakeland	\$636.89	\$0.00	636.89
553	Largo	\$365.84	\$10.00	355.83
560	Leesburg	\$7.33	\$0.00	7.33
572	Live Oak	\$15.61	\$0.00	15.61
579	Longwood	\$59.23	\$0.00	59.23
596	Maitland	\$1.80	\$0.00	1.80
620	Melbourne & Eau Gallie (Comb.)	\$64.38	\$5.98	58.41

626	Miami	\$36.73	\$0.00	36.73
649	Monticello	\$4.69	\$4.69	0.00
666	Naples	\$317.13	\$0.00	317.13
675	New Port Richey	\$34.74	\$0.00	34.74
676	New Smyrna Beach	\$14.84	\$0.92	13.91
695	Ocala	\$973.34	\$0.00	973.34
701	Ocoee	\$0.00	\$10.80	(10.80)
706	Okeechobee	\$24.61	\$0.00	24.61
722	Orange Park	\$456.10	\$6.77	449.33
725	Orlando	\$489.86	\$11.20	478.66
728	Ormond Beach	\$11.86	\$0.00	11.86
736	Oviedo	\$41.02	\$9.86	31.16
744	Palm Bay	\$14.14	\$8.15	5.99
745	Palm Beach	\$3.40	\$0.00	3.40
746	Palm Beach Gardens	\$0.00	\$1.84	(1.84)
752	Palmetto	\$30.82	\$0.00	30.82
770	Pembroke Pines	\$35.65	\$0.00	35.65
773	Pensacola	\$8.79	\$0.36	8.43
787	Pinellas Park	\$29.48	\$190.71	(161.24)
789	Plantation	\$11.05	\$11.05	0.00
790	Plant City	\$35.72	\$0.74	34.98
801	Port Orange	\$46.64	\$0.00	46.64
807	Port St. Lucie	\$58.54	\$6.06	52.48
811	Punta Gorda	\$25.36	\$0.00	25.36
831	Riviera Beach	\$0.00	\$1.33	(1.33)
836	Rockledge	\$7.95	\$0.00	7.95
846	St. Augustine	\$37.80	\$0.00	37.80
849	St. Cloud	\$57.79	\$0.00	57.79
855	St. Petersburg	\$222.77	\$0.00	222.77
856	St. Pete Beach	\$0.00	\$7.74	(7.74)
867	Sanibel	\$0.00	\$0.00	0.00
869	Sarasota	\$255.35	\$0.00	255.35
870	Satellite Beach	\$1.29	\$0.00	1.29
873	Sebastian	\$21.94	\$0.00	21.94
874	Sebring	\$2,674.02	\$1.46	2,672.55
894	South Miami	\$3.33	\$0.00	3.33
898	Springfield	\$6.06	\$0.00	6.06
900	Starke	\$0.05	\$0.00	0.05
916	Tallahassee	\$398.01	\$17.40	380.61
918	Tampa	\$567.62	\$0.00	567.62
920	Tarpon Springs	\$33.40	\$0.00	33.40
921	Tavares	\$10.56	\$0.00	10.56
925	Temple Terrace	\$6.94	\$21.42	(14.48)
926	Tequesta	\$23.69	\$0.00	23.69
930	Titusville	\$113.59	\$0.00	113.59
941	Venice	\$183.60	\$0.00	183.60
944	Vero Beach	\$493.88	\$0.00	493.88
954	Wauchula	\$32.25	\$0.00	32.25
963	West Melbourne	\$5.22	\$0.65	4.57
966	West Palm Beach	\$21.39	\$0.00	21.39
975	Wildwood	\$7.12	\$0.00	7.12
985	Winter Haven	\$12.34	\$0.45	11.90
986	Winter Park	\$16.33	\$0.00	16.33
999	Not In A Tax Territory	\$0.00	\$12,199.90	(12,199.90)
1000	Invalid Police Officer Tax Code or None Listed	\$369.07	\$0.00	369.07
		\$12,800.95	\$12,800.95	0.00
Summary of Invalid	Over Allocated	Number of Entries		

Firefighter Tax Code 1000				
038	\$3.16	2		
171	\$2.53	2		
238	\$6.22	1		
316	\$17.66	8		
592	\$7.49	3		
709	\$42.49	8		
844	\$21.41	8		
875	\$265.43	48		
896	\$2.68	2		
	\$369.07	82		

IV. COMMENTS AND CORRECTIVE ACTION

Based on its review of the policy information of Massachusetts Bay Insurance Company and the 1998 Report filed by the Company with the Florida Department of Revenue, the Department has determined that the report filed with the Florida Department of Revenue is inaccurate. Errors were found in 7,811 or 69% of the 11,388 records reviewed representing \$37,590.39 and 12,800.95 in misallocated funds to individual Firefighters' and Police Officers' Pension Trust Funds, respectively.

Massachusetts Bay Insurance Company is directed to take the following corrective actions:

- 1. File a corrected 1998 DR-908 report with the Florida Department of Revenue.**
- 2. Provide a copy of the corrected report to Florida Division of Retirement.**
- 3. Modify procedures for preparing reports to the Florida Department of Revenue to allow for accurate reporting.**
- 4. Provide documentation that these corrective actions have been completed to the Department of Insurance within 90 days of the issuance of this Report.**