

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

NATIONWIDE ASSURANCE COMPANY
(NATIONWIDE INSURANCE)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 9/14/01

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I. INTRODUCTION

Nationwide Assurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1997 through December 1999. This examination began October 1, 2000 and ended October 21, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1995.

The purpose of this target examination was to ascertain compliance with the Florida Insurance Code.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1997 through December 1999, as reflected in the report.

Prior examination of this company was conducted as of December 1995 while it was operating under the name of Colonial Insurance Company of California. No violations were sited during this examination.

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. Exam Findings

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. COMPANY OPERATIONS/MANAGEMENT

A. PROFILE

The Colonial Insurance Company of California was incorporated on February 13, 1942. The Company was organized to provide nonstandard auto insurance and motorcycle insurance. Nationwide acquired Colonial Insurance Company of California in 1980. In July 1997, the Company received approvals from the California and Wisconsin Insurance Departments to re-domesticate to the State of Wisconsin. The name of the company was changed to Colonial Insurance Company of Wisconsin. On April 30, 1999, the Wisconsin Insurance Department approved the name change to Nationwide Assurance Company. The Company is licensed in 44 states and District of Columbia.

Other affiliated companies are Nationwide Mutual Insurance Company, Nationwide Mutual Fire Insurance Company, Nationwide General Insurance Company, Nationwide Property & Casualty Insurance Company, Nationwide Life Insurance Company and Nationwide Life & Annuity Insurance Company.

B. MANAGEMENT

1. Antifraud Plan

The Florida Antifraud Plan was filed with the Florida Department of Insurance, Division of Fraud, May 22, 1996 with a personnel update August 30, 2000 pursuant to Section 626.989(4)(d), Florida Statutes. The Plan lists the Company under the former name of “Colonial Insurance of California”. The Company has had two name changes since the Plan was filed, and should be refiled to reflect the current name of Nationwide Assurance Company.

Nationwide Insurance Enterprise Special Investigation Unit, with its home office in Columbus, Ohio is comprised of an SIU Director and Corporate Manager on Home Office staff, two SIU Managers, eleven special investigators and one lead investigator located in Florida. The Florida Operations’ Special Investigations Unit is engaged in the training of Claims personnel, managers, and agency operations in the identification and proper handling of fraudulent and potentially fraudulent acts. The Unit is also responsible for overseeing compliance of reporting to the Division pursuant to Florida Statutes.

2. Disaster Preparedness Plan

The Business Recovery Plan documents the strategies, personnel, procedures and resources which the Service Center Management Team will use to respond to any long term interruption to its essential business functions.

The plan highlights and coordinates the main issues and steps to be taken if a disaster impacts any of the Nationwide Insurance service centers. The service centers currently located in Columbus, Gainesville, Canton, Harrisburg, Raleigh and Lynchberg back up each other. Each appropriate area covers the disaster plan from both the sending center and receiving center perspective.

The Service Center Management Team is responsible for:

- a. Organizing work area, using equipment and resources obtained by the Resource Teams.
- b. Recovery of essential business operations within the targeted recovery windows.
- c. Restoring and/or reconstructing work-in-process and vital records.
- d. Communicating status of recover activities with the Management Team.

C. OPERATIONS

Nationwide Assurance Company is a non-standard automobile writer. The business is marketed the same way as the individual voluntary auto. The agents are being asked to be more proactive in the non-standard markets with yellow page advertising. In addition, partnership platform (an informal referral network between the agents and targeted businesses) initiatives with used car dealerships are used in writing non-standard and standard automobile as well.

Full internal audits are conducted every two to three years. Follow-up audits are performed as needed and focus solely on performance issues addressed in the full audit review. Additional audits may be conducted after a market conduct exam to review deficiencies and develop solutions.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Nationwide Assurance Company independently files rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

Nationwide Assurance 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>
1997	\$58,627,814	34,055
1998	\$35,412,817	33,386
1999	\$31,935,579	38,355

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

V. AGENTS/MGA REVIEW

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

No errors were found.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Twenty-five (25) cancelled/nonrenewed policies were examined.

Sixteen (16) errors were found.

None of the errors affected premium calculations.

The errors are broken down as follows:

1. Six (6) errors were due to failure to give timely notice of cancellation. The Company failed to give the 45 days plus the minimum of 3-days mailing notice. This procedure did not allow the insured 45 days prior to cancellation effective date as required by statute. This constitutes a violation of Section 627.728, Florida Statutes.
2. Seven (7) errors were due to failure to document the file with proof of mailing. This constitutes a violation of Rule 4-167.010, Florida Administrative Rule.
3. One (1) error was due to an invalid reason for cancellation due to the policy being in effect more than 60 days. This constitutes a violation of Section 627.728, Florida Statutes.
4. One (1) error was due to the Company failing to file Form DI4-493 Rescinded Policies. The Company does not have a procedure in place for the completion and filing of Form DI4-493 when a policy is rescinded. This constitutes a violation of Rule 4-167.002, Florida Administrative Rule.
5. One (1) error was due to failure to advise the insured that cancellation would be reported to Department of Highway Safety and Motor Vehicles. The Company uses a letter to advise insured of an insufficient fund check. This letter also

advises the insured of a cancellation date if the check is not replaced by a certain date. This constitutes a violation of Section 627.736, Florida Statutes.

VII. CLAIMS REVIEW

Forty-eight (48) claims were examined.

One (1) error was found.

The error resulted in an overpayment totaling \$41.75.

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

The error is described as follows:

- 1 One (1) error was due to failure to properly compute sales tax. This constitutes a violation of Rule 4-166.026, Florida Administrative Code.

VIII. COMPLAINTS REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company. Complaint handling procedures are described in Exhibit II.

IX. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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CLAIMS PROCEDURES	I
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COMPLAINT HANDLING PROCEDURES	II
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