

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

NATIONWIDE MUTUAL FIRE INSURANCE COMPANY
(NATIONWIDE INSURANCE ENTERPRISE)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 11/14/01

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.	PRIVATE PASSENGER AUTOMOBILE	3
B.	HOMEOWNERS, CONDOMINIUMS AND TENANTS	5
C.	MOBILE HOMES	7
D.	COMMERCIAL AUTOMOBILE	9
E.	COMMERCIAL PACKAGES	12
F.	ARTISAN CONTRACTORS	14
G.	WORKERS' COMPENSATION	16
IV.	AGENTS/MGA REVIEW	18
V.	CANCELLATIONS/NONRENEWALS REVIEW	19

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
VI.	CLAIMS REVIEW	20
VII.	COMPLAINTS REVIEW	21
VIII.	EXHIBITS	22

I. INTRODUCTION

Nationwide Mutual Fire Insurance Company is a property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 through December 1998. This examination began on November 7, 1999 and ended February 26, 2000. The last examination of this insurer was in 1995.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims, and consumer complaints 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.

As a result of the findings this examination, \$ 9,749.54 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

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. 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. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

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

b. Form Filings:

Nationwide Mutual Fire Insurance Company is a member of Insurance Service Offices (ISO) and as ISO such is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Insurance Services Offices 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>
1996	\$156,069,886	895,467
1997	\$236,201,125	920,200
1998	\$237,633,475	925,969

3. Exam Findings

Fifty (50) policy files were examined.

Eight (8) errors were found.

Errors affecting premium resulted in six (6) overcharges totaling \$160.10 and one (1) undercharges totaling \$6.30.

The errors are broken down as follows:

1. Two (2) errors were due to the use of incorrect territories. These errors resulted in overcharges totaling \$50.40, which has been refunded by the Company. The other error resulted in an undercharge of \$6.30. This constitutes a violation of Section 627.0651, Florida Statutes.
2. Six (6) errors were due to the failure to allow the Safety Discount as required. These errors resulted in overcharges totaling \$109.70, which have been refunded by the Company. This constitutes a violation of Section 627.0653, Florida Statutes.

B. HOMEOWNERS, CONDOMINIUMS AND TENANTS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Nationwide Mutual Fire Insurance Company is a member of ISO and as such ISO is authorized to file rule/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:

Nationwide Mutual Fire Insurance Company is a member of ISO and as such ISO is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Insurance Service Offices 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>
1996	\$105,128,943	221,497
1997	\$114,563,306	214,896
1998	\$117,580,984	227,762

3. Exam Findings

Fifty (50) policy files were examined.

Four (4) errors were found.

Errors affecting premium resulted in three (3) overcharges totaling \$103.00 and one (1) undercharges totaling \$168.00.

The errors are broken down as follows:

1. Three (3) errors were due to the use of incorrect protection classes. These errors resulted in overcharges totaling \$103.00, which have been refunded by the Company. This constitutes a violation of Section 627.062, Florida Statutes.
2. One (1) error was due to the use of an incorrect territory. This error resulted in an undercharge of \$168.00. This constitutes a violation of Section 627.062, Florida Statutes.

C. MOBILE HOMES

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Nationwide Mutual Fire Insurance Company is a member of ISO and as such ISO is authorized to file rule/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:

Nationwide Mutual Fire Insurance Company is a member of ISO and as such ISO is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Insurance Service Offices 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 is included in the Homeowners Coverage.

3. Exam Findings

Twenty-five (25) policy files were examined.

No errors were found.

D. COMMERCIAL AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Nationwide Mutual Fire Insurance Company is a member of ISO and as such ISO is authorized to file rule/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:

Nationwide Mutual Fire Insurance Company is a member of ISO and as such ISO is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Insurance Service Offices 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>
1996	\$3,112,149	5,725
1997	\$3,237,361	6,244
1998	\$3,393,288	5,507

Exam Findings

Fifty (50) policy files were examined.

Ten (10) errors were found.

Errors affecting premium resulted in two (2) overcharges totaling \$1,078.00 and two (2) undercharges totaling \$208.00.

The errors are broken down as follows:

1. One (1) error was due to the use of incorrect classification. This constitutes a violation of Section 627.062, Florida Statutes.

2. Four (4) errors were due to the use of incorrect territories, which resulted in two overcharges totaling \$1,078.00, which have been refunded by the Company. Two (2) errors resulted in undercharges of \$208.00. This constitutes a violation of Section 627.062, Florida Statutes.
3. One (1) error was due to the failure to provide documentation in the file, i.e., application and rating worksheet. This constitutes a violation of Section 624.318, Florida Statutes.
4. Two (2) errors were due to failure to provide signed Uninsured Motorist forms electing lower limits than bodily injury limits. This constitutes a violation of Section 627.727, Florida Statutes.
5. One (1) error was due to failure to provide signed UM forms electing non-stacked UM coverage. This constitutes a violation of Section 626.727, Florida Statutes.
6. One (1) error was due to failure to attach the non-stacked UM endorsement. This constitutes a violation of Section 627.727, Florida Statutes.

E. COMMERCIAL PACKAGES

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Nationwide Mutual Fire Insurance company is a member of ISO and as such ISO is authorized to file rule/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:

Nationwide Mutual Fire Insurance Company is a member of ISO and as such ISO is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Insurance Service Offices 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>
1996	\$23,275,732	4,940
1997	\$28,403,796	4,920
1998	\$34,817,712	5,156

3. Exam Findings

Thirty (30) policy files were examined.

Three (3) errors were found.

Errors affecting premium resulted in three (3) overcharges totaling \$8,178.87.

The errors are broken down as follows:

1. Three (3) errors were due to the use of incorrect territory. These errors resulted in overcharges totaling \$8,178.87, which have been refunded by the Company. This constitutes a violation of Section 627.062, Florida Statutes.

F. ARTISAN CONTRACTORS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

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

b. Form Filings:

Nationwide Mutual Fire Insurance Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

Insurance Service Offices 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 is included in the Commercial Package Section.

3. Exam Findings

Twenty-five (25) policy files were examined.

No errors were found.

G. WORKERS' COMPENSATION

1. Application of Rules, Rates and Forms

a. General Comments

Nationwide Mutual Fire Insurance Company is a National Council on Compensation Insurance (NCCI) company and as such uses this organization's rules, rates and forms. The NCCI acts as statistical agent for this line of business.

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>
1996	\$3,759,086	1,286
1997	\$3,162,510	1,158
1998	\$2,553,990	1,081

b. Error Percentages

Twenty-five (25) policies and audits were examined.

One (1) error was found.

The error did not affect premium.

The error is described as follows:

1. One error was due to failure to perform the audit timely.
This constitutes a violation of Section 627.191, Florida Statutes.

2. Unit Statistical Review

a. Audit Comparison

Twenty-five (25) premium statistical cards were examined.

No errors were found.

b. Claim Comparison

Twenty-three (23) claim statistical cards were examined.

No errors were found.

IV. AGENTS/MGA REVIEW

Thirty (30) applications/policies written during the scope of examination were examined.

One (1) error was found.

The error did not affect policy fees.

The error is described as follows:

1. One (1) error was due to improper language used on the insurance binder. The binder states “your policies will be issued in one or more of the Nationwide group of Companies”. The application indicates the applicant applied for coverage in the Nationwide Mutual company, however the policy was issued in the Nationwide Mutual Fire Company without an application or consent from the applicant. This constitutes a violation of Section 627.413, Florida Statutes.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Thirteen (13) errors were found.

None of the errors affected premium calculations.

The errors are broken down as follows:

1. Three (3) errors were due to the Companies practice of transferring Commercial Policies from one Company to another at renewal without proper notice of nonrenewal and offer of coverage. This constitutes a violation of Section 627.4133, Florida Statutes.
2. Two (2) errors were due to failure to provide a specific reason for nonrenewal. This constitutes a violation of Section 627.4091, Florida Statutes.
3. One (1) error was due to failure to provide timely notice of nonrenewal. This constitutes a violation of Section 627.4133, Florida Statutes.
4. Three (3) errors were due to failure to notify the insured advising that cancellation/nonrenewal will be reported to the Department of Highway Safety and Motor Vehicle as required. This constitutes a violation of Section 627.736, Florida Statutes.
5. Two (2) errors were due to failure to maintain documentation in the file. This constitutes a violation of Section 627.318, Florida Statutes.
6. Two (2) errors were due to failure to provide proof of mailing of the notice of cancellation. This constitutes a violation of Rule 4-167.010, Florida Administrative Code.

VI. CLAIMS REVIEW

Fifty (50) claims were examined.

Two (2) errors were found.

Two (2) errors resulted in underpayments totaling \$229.57.

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

The errors are broken down as follows:

- 1 One (1) error was due to failure to properly adjust the claim. This error resulted in underpayment totaling \$50.00, which has been refunded by the Company. This constitutes a violation of Section 626.877, Florida Statutes.
2. One (1) error was due to failure to pay sales tax. This error resulted in an underpayment totaling \$197.57, which has been refunded by the Company. This constitutes a violation of Rule 4-166.026, Florida Administrative Code.

VII. 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.

VIII. EXHIBITS

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