

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

PACIFIC EMPLOYERS INSURANCE COMPANY

ACE USA

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 3/20/02

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I. INTRODUCTION

Pacific Employers 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 May 14, 2000 and ended May 27, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1994.

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.

As a result of the findings this examination, \$112.16 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. HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Pacific Employers Insurance Company is a service purchaser of Insurance Service Offices (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:

Pacific Employers Insurance Company is a service purchaser of Insurance Service Offices (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 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	\$ 226,159	364
1997	\$ 87,198	166
1998	\$ 11,111	149

3. Exam Findings

Fifty (50) policy files were examined.

Fourteen (14) errors were found.

Errors affecting premium resulted in two (2) overcharges totaling \$112.16 and one (1) undercharge totaling \$1.02.

The errors are broken down as follows:

1. Eleven (11) errors were due to failure to provide timely written notice to new and renewal business prior to 4/1/96 offering a separate wind or hurricane deductible and advising deductible to be applied if policyholder failed to choose. New policies issued from 4/1/96 to 10/1/96 and renewals issued from 4/1/96 to 11/21/96 constitutes a violation of Section 627.701, Florida Statutes
2. One (1) error was due to failure to maintain and provide records for force-placed business written by a financial institution in California. This constitutes a violation of Section 624.318 Florida Statutes.

IV. AGENTS/MGA REVIEW

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

No errors were found.

V. CANCELLATIONS/NONRENEWALS REVIEW

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

No errors were found.

VI. CLAIMS REVIEW

Fifty (50) claims were examined.

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

No errors were found.

VI. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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Claims Procedures

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