

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

T.H.E. INSURANCE COMPANY  
(ALLIED INTERNATIONAL HOLDINGS INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 7/6/01

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## I. INTRODUCTION

T.H.E. Insurance Company (T.H.E.) is a 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 January 2, 2000 and ended January 15, 2000. This is the first examination of this insurer by the Florida Department of Insurance.

The purpose of the examination was to verify that the Company is transacting business according to Florida Statutes, specifically as it relates to premium charges and return premiums in the event of policy terminations.

During this examination, records reviewed included policies and cancellations/nonrenewals for the period of January 1997 through December 1999, 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 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. COMMERCIAL PACKAGE POLICY

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

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

T.H.E. Insurance Company is a subscriber of Insurance Services Office (ISO) and as such ISO 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

T.H.E. Insurance Company is a subscriber of Insurance Services Office (ISO) and 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

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	\$6,360,361	1,200
1998	\$9,218,659	661
1999	\$5,382,137	590

3. Exam Findings

Fifty (50) policy files were examined.

Sixty-three (63) errors were found.

The errors did not affect premium.

The errors are broken down as follows:

1. Fifty (50) errors were due to failure to document individually rated risks. This constitutes a violation of Section 627.062, Florida Statutes.

The Company has filed “a” rates, rules, underwriting guidelines and forms for use with its programs to write amusement risks in commercial package policies. The policy files do not contain documentation as to specific criteria or risk characteristics being considered to rate each risk. Exhibit I.

2. Thirteen (13) errors were due to applying unfiled inspection fees to policies. This constitutes a violation of Section 627.062, Florida Statutes.

#### IV. CANCELLATIONS/NONRENEWALS REVIEW

Seventy-five (75) cancelled/nonrenewed policies were examined.

Nineteen (19) errors were found.

None of the errors affected premium calculations as returns were made according to filed rules.

The errors are broken down as follows:

1. Nineteen (19) errors were due to failure to comply with PIP Notice Requirements. The Company failed to notify the Florida Department of Highway Safety and Motor Vehicles when a policy providing PIP Benefits was terminated. This constitutes a violation of Section 627.736, Florida Statutes.

VI. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
RATES, RULES, UNDERWRITING GUIDELINES AND FORMS FOR WRITING AMUSEMENT RISKS	I