

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

ACE FIRE UNDERWRITERS INSURANCE COMPANY

Formerly Cigna Fire Underwriters Insurance Company

ACE USA

BY

THE FLORIDA DEPARTMENT OF INSURANCE

**File Date 12/13/01**

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## I. INTRODUCTION

Ace Fire Underwriters Insurance Company is a foreign 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 August 1, 1999 and ended May 27, 2000. The last examination of this insurer by the Department of Insurance was completed in 1994.

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 of this examination, \$540.00 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. COMMERCIAL MULTIPLE PERIL

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

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

Cigna Fire Underwriters Insurance Company is a service purchaser of Insurance Services Office (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:

Cigna Fire Underwriters Insurance Company is a service purchaser of Insurance Services Office (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 Services Office 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	6,404,167	3,470
1997	2,008,232	525
1998	447,313	212

3. Exam Findings

Forty-seven (47) policy files were examined.

Six (6) errors were found.

Errors affecting premium resulted in two (2) overcharges totaling \$540.00 and no undercharges.

The errors are broken down as follows:

1. Two (2) errors were due to failure to document or substantiate credits. This constitutes a violation of Section 627.062, Florida Statutes.
2. One (1) error was due to failure to follow filed rating plan by using an incorrect lost cost multiplier and incorrect rates. This resulted in an overcharge of \$533.00. This constitutes a violation of Section 627.062, Florida Statutes.
3. One (1) error was due to failure to follow filed rating plan by using an unfiled rule. The filed rule is not used to develop premium. Rule needs to be refiled to reflect correct procedure for developing a premium. This constitutes a violation of Section 627.062, Florida Statutes.
4. One (1) error was due to failure to follow filed rating plan by using base rate instead of final rate to develop loss of income coverage. This resulted in an overcharge of \$7.00. This constitutes a violation of Section 627.062, Florida Statutes.
5. One (1) error was due to failure to maintain records. This constitutes a violation of Section 627.318, Florida Statutes.

B. MEDICAL MALPRACTICE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Cigna Fire Underwriters Insurance Company is a member of Insurance Services Office (ISO) and as such ISO is authorized to file rules and loss cost on the Company's behalf in accordance with Section 627.062, Florida Statutes. The Company independently files rates. In addition, the Company does make some independent filings.

b. Form Filings:

Cigna Fire Underwriters Insurance Company is a service purchaser of Insurance Services Office (ISO) and files ISO forms in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Insurance Services Office 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>DWP</u>	<u>Policy Count</u>
1996	316,416	2,648
1997	566,083	2,820
1998	68,470	2,761

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

IV. AGENTS/MGA REVIEW

Twenty (20) applications/policies written during the scope of examination were examined.

No errors were found.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

No errors were found.

VI. CLAIMS REVIEW

Fifty (50) claims were examined.

One (1) error(s) was/were found.

None of the errors affected payments.

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 comply with Personal Injury Protection requirements. File was not stamped as to receipt, unable to determine compliance. This constitutes a violation of Section 627.736, Florida Statutes.

VII EXHIBITS

SUBJECT \_\_\_\_\_ EXHIBIT NUMBER

Claims Procedures

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