

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

AMERICAN FIRE AND CASUALTY COMPANY
(OHIO CASUALTY GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 10-03-01

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I. INTRODUCTION

American Fire and Casualty Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination, January 1999 through December 2000. The examination began March 25, 2001 and ended April 14, 2001. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was included in a group examination which was concluded March 21, 1998.

The last two examinations, 1991 and the 1997, included the review of homeowners policies. In both prior examinations, violations cited included use of incorrect fire protection classes.

The purpose of the current examination was to verify corrective action related to the use of protection classes in the rating of homeowner policies.

During this examination, records reviewed included homeowners policies and underwriting files for the period of January 1999 through December 2000, 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, \$31.00 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

II. REVIEW OF POLICIES

A. HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

American Fire and Casualty Company is a subscriber of Insurance Services Office (ISO) and as such ISO is authorized to file rates and rules 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

American Fire and Casualty Company is a subscriber of Insurance Services Office (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 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>
1999	\$ 815,742	1,015
2000	\$ 857,807	1,091

3. Exam Findings

One hundred (100) policy files were examined.

Four (4) errors were found.

The errors resulted in one (1) overcharge totaling \$31.00 and three (1) undercharges totaling \$48.00.

The errors are described as follows:

1. Two (2) errors were due to failure to follow the filed rates by using an incorrect territory. This constitutes a violation of Section 627.062, Florida Statutes. These errors resulted in one (1) overcharge totaling \$31.00, which has been refunded by the Company and one (1) undercharge totaling \$48.00. These errors occurred in the 1991 Examination, Page 9, Item 2. See Exhibit I.

2. Two (2) errors were due to use of an unfiled employee discount. This constitutes a violation of Section 627.062, Florida Statutes.

During the examination, the Company was directed to file the use of an employee discount. See Exhibit II.

III. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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EMPLOYEE DISCOUNT FILING	II
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