

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA
(AMERICAN INTERNATIONAL GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

4-11-01

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I. INTRODUCTION

The Insurance Company of the State of Pennsylvania (ISOP) is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1998 through December 1999. This examination began February 27, 2000 and ended April 1, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1994.

The purpose of the examination was to verify that the Company is transacting business according to Florida Statutes, specifically as it relates to policies issued to employee leasing firms.

During this examination, records reviewed included policies, audits and consumer complaints for the period of January 1998 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 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 the examination versus the examination 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. WORKERS' COMPENSATION

1. Application of Rules, Rates and Forms

a. General Comments

The Insurance Company of the State of Pennsylvania is a National Council on Compensation Insurance (NCCI) company as such uses this organization's rules, rates and forms.

The Company also makes some independent filings. 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>
1998	\$ 62,751,954	932
1999	\$ 61,635,761	875

b. Error Percentages

Eighty-nine (89) policies and audits were examined.

Forty-nine (49) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Thirty-nine (39) errors were due to failure to give the insured notice of the Florida Mandatory Offer of Deductible. This constitutes a violation of Section 627.191, Florida Statutes.
2. Six (6) errors were due to failure to complete the final audit billing within the ninety (90) day requirement. This constitutes a violation of Section 627.191, Florida Statutes. This error was brought to the Company's attention in the 1994 Examination, Premium Audit Section, Page 24.
3. One (1) error was due to failure to delete an anniversary rating date endorsement from the policy establishing the new anniversary rating date. This constitutes a violation of Section 627.191, Florida Statutes.
4. Two (2) errors were due to the use of an unfiled rating plan. This constitutes a violation of Section 627.091, Florida Statute.
5. One (1) error was due to failure to maintain records of the experience modification applied to the policy. This constitutes a violation of Section 627.318, Florida Statutes.

2. Unit Statistical Review

a. Audit Comparison

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

No errors were found.

b. Claim Comparison

Ten (10) claim statistical cards were examined.

Six (6) errors were found.

None of the errors resulted in over or underreports.

The errors are broken down as follows:

1. Five (5) errors were due to failure to report the correct injury code according to the benefits paid to the injured worker. Injury code 5 was reported instead of injury code 3 when impairment benefits were paid. Injury code 2 was reported instead of injury code 4 when supplemental payments were due after impairment benefits were paid on a permanent partial loss. This constitutes a violation of Section 627.191, Florida Statutes.

2. One (1) error was due to failure to report the claim status as closed. This constitutes a violation of Section 627.191, Florida Statutes.

IV. 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 I.

Department of Insurance Consumer complaints received during the scope of examination were reviewed, and findings are as follows:

The following complaint was reviewed.

1. Interim Services Inc. Exhibit II

No errors were found.

VI. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
COMPLAINT HANDLING PROCEDURES	I
INTERIM SERVICES INC. - COMPLAINT	II