



# **THE STATE OF FLORIDA**

## **OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT EXAMINATION FINAL REPORT**

**OF THE**

**FIREMAN'S FUND INSURANCE COMPANY**

**Issued On**

**February 16, 2016**

**NAIC COMPANY CODE: 21873**

**NAIC GROUP CODE: 761**

---

**TABLE OF CONTENTS**

EXECUTIVE SUMMARY .....2

PURPOSE AND SCOPE OF EXAMINATION .....2

    Company Background .....2

    File Review .....3

    MCAS Reporting .....3

    Exam Procedures .....3

2011 MCAS HOMEOWNERS REPORT .....4

    Recommendation .....5

2012 MCAS HOMEOWNERS REPORT .....6

    Recommendation .....7

COMPLAINT REGISTERS .....8

ANTI-FRAUD PLAN .....8

EXAMINATION FINAL REPORT SUBMISSION .....8

APPENDIX A .....9

APPENDIX B .....10

## **EXECUTIVE SUMMARY**

A target market conduct examination of the Fireman's Fund Insurance Company was performed to determine insurer compliance with Market Conduct Annual Statement (MCAS) reporting of the company's transactions and affairs. MCAS reporting provides participating MCAS states with a uniform method of collecting key data elements from insurers. MCAS data is provided and maintained under confidentiality agreements. The examination determined the Company made 20 report line errors in the filing of the 2011 MCAS Homeowners Report and 21 report line errors in the filing of the 2012 MCAS Homeowners Report. Errors found during the examination process are detailed within this report of examination.

## **PURPOSE AND SCOPE OF EXAMINATION**

The Florida Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of the Fireman's Fund Insurance Company (herein after Fireman's Fund, FFIC, or Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Global Insurance Enterprises, Inc. The examination scope period was January 1, 2011 through December 31, 2012. Field examination work began September 22, 2014, and ended September 26, 2014; Off-Site analysis concluded on June 17, 2015.

Examination procedures included reconciling policy data to the 2011 and 2012 MCAS Homeowners Reports, reviewing samples of contracts and claims file attributes, the insurer Anti-Fraud Plan and Special Investigations Unit (SIU) description filings and, consumer complaints.

This final report is based upon information obtained during the examination, research conducted by the Office, and additional information provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners (NAIC).

## **Company Background**

Fireman's Fund Insurance Company was granted a Certificate of Authority to transact business in Florida on January 15, 1918 as a foreign writer of property and casualty insurance. The Company is authorized to write Fire, Industrial Fire, Allied Lines, Commercial Multi-Peril, Farmowners Multi-Peril, Multi-Peril Crop, Homeowners Multi-Peril, Mobile Homeowners Multi-Peril and Mobile Homeowners Physical Damage, Inland Marine and Ocean Marine, Auto Warranties, Private Passenger Automobile Liability, Private Passenger Automobile Physical Damage, Commercial Automobile Liability, Commercial Automobile Physical Damage, Medical Malpractice, Earthquake, Workers Compensation, Aircraft, Fidelity, Other Liability, Surety, Bail Bonds, Glass, Burglary and Theft, Boiler and Machinery, Credit, Accident and Health and, Industrial Extended Coverage. Fireman's Fund Insurance Company is a wholly owned subsidiary of Allianz of America, Inc., a subsidiary of Allianz SE.

Fireman's Fund is an admitted carrier in Florida. The Company writes property and casualty insurance products and related services in all 50 U.S. states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Australia, Austria, Belgium and, Canada. Policy underwriting is performed in the insurer's

Commercial, Personal, or Crop business units. FFIC products are marketed through a network of independent agents and brokers. Florida direct written premiums represent 6.58%, 7.01%, 3.21%, and 3.49% of the insurer's North American direct written premiums in years 2014 through 2011, respectively.

**Total Direct Written Premiums and All North American Direct Written Premiums**

Year	Florida Direct Written Premiums	All North American Direct Written Premiums	Florida Direct Written Premiums as Percentage of Total North American Production
2014	\$ 49,866,126	\$ 757,499,298	6.58%
2013	\$ 52,276,657	\$ 745,703,522	7.01%
2012	\$ 58,227,232	\$ 1,814,357,599	3.21%
2011	\$ 67,885,353	\$ 1,943,563,882	3.49%

**File Review**

File reviews consisted of sample testing of select reporting lines and of the reconciliation of the company data sets to filed MCAS reports. The examiners reviewed information contained in the policy and claims administration system and complaint logs. The examiners confirmed homeowners products are maintained on the policy administration system.

**MCAS Reporting**

This examination reviewed the insurer's MCAS processes and procedures for collecting, aggregating, and extracting data used in the filing of the 2011 and 2012 MCAS Homeowner Reports. Each MCAS contains interrogatories, and those interrogatories for 2011 and 2012 are provided in the appendices of this report of examination. Instructions for completing reports are made available to insurers each year through the National Association of Insurance Commissioners (NAIC). All reports are attested to the completeness and accuracy of the submission. Such reports are filed in accordance with the requirements of Section 626.424, Florida Statutes.

**Exam Procedures**

The Company was asked to provide complete data sets utilized in the 2011 and 2012 MCAS Homeowners Reports and for samples of selected reporting lines. Procedures for evaluating each report and line examined included the reconciliation of information filed against the universe of files provided, analysis to determine accuracy of information reported and of the applicable contracts, and verification that data and files are maintained and reported in accordance with the Florida Insurance Code.

## **2011 MCAS HOMEOWNERS REPORT**

MCAS Homeowners reporting for calendar year 2011 consisted of the responses to 47 interrogatories. The examiners selected 11 responses for sampling review and 42 responses for reconciliation review to the Company data sets. The examination identified 20 errors in the filing of the 2011 MCAS Homeowners Report. The Company agrees with the findings except where noted. Findings are reported on exception basis.

### **Claims Open at the Beginning of the Period and Opened during the Period**

The examination reviewed the Number of Claims Open at the Beginning of the Period- Line 17 and the Number of Claims Opened during the Period- Line 18. The examiner's review identified an error on Line 17 reporting the Number of Claims Open at the Beginning of the Period and an error on Line 18 reporting the Number of Claims Opened during the Period.

### **Claims Closed Without Payment during the Period and Claims Open at End of Period**

The examiners selected for testing a sample of 10 files from Line 20- the Number of Claims Closed without Payment during the Period; a sample of 10 files from Line 21- the Number of Claims Open at the End of the Period; and, reviewed Line 22- the Median Days to Final Payment.

The examiner's analysis identified an error on Line 20 reporting the Number of Claims Closed without Payment during the Period and an error on Line 21 reporting the Number of Claims Open at the End of the Period; the review identified error on Line 22 reporting the Median Days to Final Payment.

### **Claims Closed With Payment**

The examination reviewed Line 23- the Number of Claims Closed with Payment within 0-30 Days; Line 24- the Number of Claims Closed with Payment within 31-60 Days; a sample of 10 files from Line 25- the Number of Claims Closed with Payment within 61-90 Days; a sample of 10 files from Line 26- the Number of Claims Closed with Payment within 91-180 Days; Line 27- the Number of Claims Closed with Payment within 181-365 Days; and, Line 28- the Number of Claims Closed with Payment beyond 365 Days.

The examiner's review identified an error on Line 23 reporting the Number of Claims Closed with Payment within 0-30 Days and an error on Line 24 reporting the Number of Claims Closed with Payment within 31-60 Days. The examiner's analysis identified an error on Line 25 reporting the Number of Claims Closed with Payment within 61-90 Days and an error on Line 26 reporting the Number of Claims Closed with Payment within 91-180 Days. The review identified an error on Line 27 reporting the Number of Claims Closed with Payment within 181-365 Days and an error on Line 28 reporting the Number of Claims Closed with payment beyond 365 Days.

### **Claims Closed Without Payment**

The examination reviewed Line 29- the Number of Claims Closed without Payment within 0-30 Days; Line 30- the Number of Claims Closed without payment within 31-60 Days; a sample of 5 files from Line 31- the Number of Claims Closed without Payment during the Period within 61-90 Days; a sample of 10 files from Line 32- the Number of Claims Closed without Payment during the Period within 91-

180 Days; and, a sample of 5 files from Line 33- the Number of Claims Closed without Payment during the Period within 181-365 Days.

The examiner's review identified an error on Line 29 reporting the Number of Claims Closed without Payment within 0-30 Days and an error on Line 30 reporting the Number of Claims Closed without payment within 31-60 Days. The examiner's analysis identified an error on Line 31 reporting the Number of Claims Closed without Payment within 61-90 Days; an error on Line 32 reporting the Number of Claims Closed without Payment within 91-180 Days; and, an error on Line 33 reporting the Number of Claims Closed without Payment within 181-365 Days.

### **Suits Opened during the Period**

The examination reviewed the number of suits during the period. The examiners selected for testing a sample of 10 files from Line 36- the Number of Suits Opened during the Period. The examiner's analysis identified an error on Line 36 reporting the Number of Suits Opened during the Period.

### **Cancellations**

The examination reviewed the number of cancellations during the period. The examiners selected for testing a sample of 10 files from Line 43- the Number of Company-Initiated Non-Renewals during the Period and a sample of 4 files from Line 46- the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Re-Writes to a Related Company. In conjunction with the review of the data set (Line 46), the examiners selected for testing a sample of 11 files from Line 47- the Number of Company-Initiated Cancellations that Occur Greater than 90 Days after the Effective Date.

The examiner's review identified an error on Line 43 reporting the Number of Company-Initiated Non-Renewals during the Period. The examiner's analysis identified an error on Line 46 reporting the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Re-Writes to a Related Company and an error on Line 47 reporting the Number of Company-Initiated Cancellations that Occur Greater than 90 Days after the Effective Date.

### **Company Response**

The Company disagrees with the examiners' conclusions identified on Line 46 and Line 47.

### **Recommendation**

The findings identify policies in which the Company reported cancellations based upon the policy effective date and policy cancellation date. The reportable cancellations are calculated from the policy original effective date to the cancellation notice date.

The Office recommends the Company adopt policies and procedures to improve reporting accuracy.

## **2012 MCAS HOMEOWNERS REPORT**

MCAS Homeowners reporting for calendar year 2012 consisted of the responses to 45 interrogatories. The examiners selected 11 responses for sampling review and 41 responses for reconciliation review to the Company data sets. The examination identified 21 errors in the filing of the 2012 MCAS Homeowners Report.

### **Claims Open at the Beginning of the Period and Opened during the Period**

The examination reviewed Line 14- the Number of Claims Open at the Beginning of the Period and Line 15- the Number of Claims Opened during the Period. The examiner's review identified an error on Line 14 reporting the Number of Claims Open at the Beginning of the Period and an error on Line 15 reporting the Number of Claims Opened during the Period.

### **Claims Closed Without Payment during the Period, Claims Open at the End of the Period, Median Days to Final Payment**

The examiners selected for testing a sample of 10 files from Line 17- the Number of Claims Closed without Payment during the Period; a sample of 10 files from Line 18- the Number of Claims Open at the End of the Period; and, reviewed Line 19- the Median Days to Final Payment.

The examiner's analysis identified an error on Line 17 reporting the Number of Claims Closed without Payment during the Period; an error on Line 18 reporting the Number of Claims Open at the End of the Period; and, error on Line 19 reporting the Median Days to Final Payment.

### **Claims Closed With Payment**

The examination reviewed Line 20- the Number of Claims Closed with Payment within 0-30 Days and Line 21- the Number of Claims Closed with Payment within 31-60 Days. The examiners selected for testing a sample of 10 files from Line 22- the Number of Claims Closed with Payment within 61-90 Days and a sample of 10 files from Line 23- the Number of Claims Closed with Payment within 91-180 Days. The review of Line 23 was made in conjunction with a review of the 2011 MCAS Homeowners Report Line 32- the Number of Claims Closed without Payment within 91-180 Days. The examiners reviewed Line 24- the Number of Claims Closed with Payment within 181-365 Days and Line 25- the Number of Claims Closed with Payment beyond 365 Days.

The examiner's review identified an error on Line 20 reporting the Number of Claims Closed with Payment within 0-30 Days and an error on Line 21 reporting the Number of Claims Closed with Payment within 31-60 Days. The examiner's analysis identified an error on Line 22 reporting the Number of Claims Closed with Payment within 61-90 Days and an error on Line 23 reporting the Number of Claims Closed with Payment within 91-180 Days. The examiner's review identified an error on (2011) Line 32 reporting the Number of Claims Closed without Payment within 91-180 Days; an error on Line 24 reporting the Number of Claims Closed with Payment within 181-365 Days; and, an error on Line 25 reporting the Number of Claims Closed with Payment beyond 365 Days.

### **Claims Closed Without Payment**

The examination reviewed Line 26- the Number of Claims Closed without Payment within 0-30 Days and Line 27- the Number of Claims Closed without Payment within 31-60 Days. The examiners selected for testing a sample of 10 files from Line 28- the Number of Claims Closed without Payment within 61-90 Days; a sample of 5 files from Line 29- the Number of Claims Closed without Payment within 91-180 Days and a sample of 5 files from Line 30- Number of Claims Closed without Payment within 181-365 Days. The examiners reviewed Line 31- the Number of Claims Closed without Payment beyond 365 Days.

The examiner's review identified an error on Line 26 reporting the Number of Claims Closed without Payment within 0-30 Days and an error on Line 27- the Number of Claims Closed without Payment within 31-60 Days. The examiner's analysis identified an error on Line 28 reporting the Number of Claims Closed without Payment within 61-90 Days; an error on Line 29 reporting the Number of Claims Closed without Payment within 91-180 Days; and, an error on Line 30 reporting Number of Claims Closed without Payment within 181-365 Days. The examiner's review identified an error on Line 31 reporting the Number of Claims Closed without Payment beyond 365 Days.

### **Number of Suits Opened**

The examiners selected for testing a sample of 2 files from Line 33- the Number of Suits Opened during the Period. The examiner's analysis identified an error on Line 33 reporting the Number of Suits Opened during the Period.

### **Company Initiated Non-Renewals**

The examiners selected for testing a sample of 10 files from Line 40- the Number of Company-Initiated Non-Renewals during the Period. The examiners analysis identified an error on Line 40 reporting the Number of Company-Initiated Non-Renewals during the Period.

### **Company Initiated Cancellations**

The examiners selected for testing a sample of 10 files from Line 43- the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company and a sample of 10 files from Line 44- the Number of Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.

The examiner's analysis identified an error on Line 43 reporting the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company and an error on Line 44 reporting the Number of Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.

### **Recommendation**

The Office recommends the Company adopt policies and procedures to improve reporting accuracy.



## **COMPLAINT REGISTERS**

The examiners reconciled the 2011 through 2012 Florida Department of Financial Services, Division of Consumer Services (FLDFS) complaint logs to the Company register of complaints received directly from consumers. The examiners determined the Company register of complaints agrees with the FLDFS complaint logs.

## **ANTI-FRAUD PLAN**

The Company files an Anti-Fraud Plan with the Florida Department of Financial Services, Division of Insurance Fraud (Division). Special Investigation Unit (SIU) description filings are made to the Division electronically. The Company Anti-Fraud Plan and SIU description filings for the examination period through the current date were reviewed. The examiners determined the Company records appear to comply with Section 626.9891(3), Florida Statutes and Rule 69D-2, Florida Administrative Code.

## **EXAMINATION FINAL REPORT SUBMISSION**

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.

## Appendix A

Line	Interrogatories 2011 MCAS Homeowners Report
01	Does the Company Have Data to Report for Dwelling?
02	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O", Claimant = "C").
03	Does the Company Have Data to Report for Personal Property?
04	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O", Claimant = "C").
05	Does the Company Have Data to Report for Liability?
06	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O", Claimant = "C").
07	Does the Company Have Data to Report for Medical Payments?
08	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O", Claimant = "C").
09	Was the Company Actively Writing Policies In the State at Year End?
10/11	Did the Company Have a Significant Event or Business Strategy Change that Would Affect Data for this Reporting Period? If Yes, Explain:
12/13	Has All or Part of this Block of Business Been Sold, Closed, or Moved to Another Company during the Year? If Yes, Explain:
14	How Does the Company Treat Supplemental or Additional Payments On Previously Reported Claims?
15	Additional State Specific Claims Comments (Optional):
16	Additional State Specific Underwriting Comments (Optional):
17	Number of Claims Open at the Beginning of the Period.
18	Number of Claims Opened during the Period.
19	Number of Claims Closed with Payment during the Period.
20	Number of Claims Closed without Payment during the Period.
21	Number of Claims Open at the End of the Period.
22	Median Days to Final Payment.
23	Number of Claims Closed with Payment within 0-30 Days.
24	Number of Claims Closed with Payment within 31-60 Days.
25	Number of Claims Closed with Payment within 61-90 Days.
26	Number of Claims Closed with Payment within 91-180 Days.
27	Number of Claims Closed with Payment within 181-365 Days.
28	Number of Claims Closed with Payment beyond 365 Days.
29	Number of Claims Closed without Payment within 0-30 Days.
30	Number of Claims Closed without Payment within 31-60 Days.
31	Number of Claims Closed without Payment within 61-90 Days.
32	Number of Claims Closed without Payment within 91-180 Days.
33	Number of Claims Closed without Payment within 181-365 Days.
34	Number of Claims Closed without Payment beyond 365 Days.
35	Number of Suits Open at the Beginning of the Period.

Line	2011 MCAS Homeowners Report (cont)
36	Number of Suits Opened during the Period.
37	Number of Suits Closed during the Period.
38	Number of Suits Open at End of Period.
39	Number of Dwellings Which Have Policies In-Force at the End of the Period.
40	Number of Policies In-Force at the End of the Period.
41	Number of New Policies Written during the Period.
42	Dollar Amount of Direct Written Premium during the Period.
43	Number of Company-Initiated Non-Renewals during the Period.
44	Number of Cancellations for Non-Pay, Non-Sufficient Funds or Insured's Request.
45	Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to A Related Company.
46	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.
47	Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.

### Appendix B

Line	Interrogatories 2012 MCAS Homeowners Report
01	Does the Company Have Data to Report for Dwelling?
02	Does the Company Have Data to Report for Personal Property?
03	Does the Company Have Data to Report for Liability?
04	Does the Company Have Data to Report for Medical Payments?
05	Does the Company Have Data to Report for Loss of Use?
06	Was the Company Actively Writing Policies in the State at Year End?
07/08	Did the Company Have a Significant Event or Business Strategy Change that Would Affect Data for this Reporting Period? If Yes, Explain:
09/10	Has All or Part of This Block of Business Been Sold, Closed, or Moved to Another Company during the Year? If Yes, Explain:
11	How Does the Company Treat Supplemental or Additional Payments on Previously Reported Claims?
12	Additional State Specific Claims Comments (Optional):
13	Additional State Specific Underwriting Comments (Optional):
14	Number of Claims Open at the Beginning of the Period.
15	Number of Claims Opened during the Period.
16	Number of Claims Closed with Payment during the Period.
17	Number of Claims Closed without Payment during the Period.
18	Number of Claims Open at the End of the Period.
19	Median Days to Final Payment.

Line	2012 MCAS Homeowners Report (cont)
20	Number of Claims Closed with Payment within 0-30 Days.
21	Number of Claims Closed with Payment within 0-30 Days.
22	Number of Claims Closed with Payment within 61-90 Days.
23	Number of Claims Closed with Payment within 91-180 Days.
24	Number of Claims Closed with Payment within 181-365 Days.
25	Number of Claims Closed with Payment beyond 365 Days.
26	Number of Claims Closed without Payment within 0-30 Days.
27	Number of Claims Closed without Payment within 31-60 Days.
28	Number of Claims Closed without Payment within 61-90 Days.
29	Number of Claims Closed without Payment within 91-180 Days.
30	Number of Claims Closed without Payment within 181-365 Days.
31	Number of Claims Closed without Payment beyond 365 Days.
32	Number of Suits Open at the Beginning of the Period.
33	Number of Suits Opened during the Period.
34	Number of Suits Closed during the Period.
35	Number of Suits Open at End of Period.
36	Number of Dwellings Which Have Policies In-Force at the End of the Period.
37	Number of Policies In-Force at the End of the Period.
38	Number of New Policies Written during the Period.
39	Dollar Amount of Direct Written Premium during the Period.
40	Number of Company-Initiated Non-Renewals during the Period.
41	Number of Cancellations for Non-Pay, Non-Sufficient Funds or Insured's Request.
42	Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company.
43	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to A Related Company.
44	Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.
45	Number of Complaints Received Directly From Consumers.

# FORM 118

## FINANCIAL SERVICES COMMISSION OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

I hereby certify that I am the officer in charge of the Florida business of:

**Fireman's Fund Insurance Company**

I have read the report of the **Market Conduct** examination as of

**February 16, 2016**

filed with the Office of Insurance Regulation. Any recommendations contained in the report will be considered within a reasonable time.

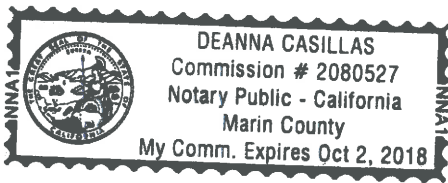
This form is hereby executed in compliance with Section 624.319(5), Florida Statutes.

Robin Clover  
Name

AVP, Head of Government & Regulatory Affairs  
Title

Robin Clover  
Signature

2/25/2016  
Date



(SEAL)

Sworn to and subscribed before me this 25<sup>th</sup>  
day of February 2016

NOTARY PUBLIC Deanna Casillas  
Signature

My commission expires Oct 2, 2018

This form is to be completed, notarized and returned to: Keith Nault, Market Investigations, 200 East Gaines St., Larson Building, Tallahassee, Florida 32399-4210, within 30 days from receipt. If Form 118 is not returned to the Office within 30 days of the date of signature on the return receipt card, this matter will be forwarded to our Legal Division for appropriate legal action.