

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

NATIONWIDE MUTUAL INSURANCE COMPANY  
(NATIONWIDE INSURANCE ENTERPRISE)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 9/13/01

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I. INTRODUCTION

Nationwide Mutual Insurance Company is a property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 through December 1998. The last examination of this insurer was in 1995.

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 this examination, \$555.00 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 AUTOMOBILE

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

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

Nationwide Mutual Insurance Company is a member of Insurance Service Offices (ISO) and as such ISO is authorized to file rule/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:

Nationwide Mutual Insurance Company is a member of 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 Service Offices 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	\$10,941,343	23,056
1997	\$10,241,914	19,091
1998	\$ 10,574,746	21,297

3. Exam Findings

Twenty-five (25) policy files were examined.

Seven (7) errors were found.

Errors affecting premium resulted in one (1) overcharges totaling \$337.00 and one (1) undercharge totaling \$2.00.

The errors are broken down as follows:

1. One (1) error was due to the use of incorrect classifications for all private passenger type automobiles. This constitutes a violation of Section 627.062, Florida Statutes.
2. Two (2) errors were due to the use of incorrect territory. One of these errors resulted in an overcharge of \$337.00, which has been refunded by the Company. The other error resulted in an undercharge of \$2.00 This constitutes a violation of Section 627.062, Florida Statutes.

3. One (1) error was due to failure to attach to the policy the Uninsured Motorist endorsement. This constitutes a violation of section 627.727, Florida Statutes.
4. Three (3) errors were due to failure to provide a signed Uninsured Motorist election/rejection form electing non-stacked UM coverage. This constitutes a violation of Section 627.727, Florida Statutes.

B. COMMERCIAL PACKAGES

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings:

Nationwide Mutual Insurance Company is a member of ISO and as such ISO is authorized to file rule/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:

Nationwide Mutual Insurance Company is a member of 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 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	\$39,347,080	9,271
1997	\$37,859,808	8,718
1998	\$40,675,334	8,692

3. Exam Findings

Fifty (50) policy files were examined.

Four (4) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Two (2) errors were due to failure to document the file to substantiate the individual rated risk as required. This constitutes a violation of Section 627.062, Florida Statutes.
2. One (1) error was due to the use of an incorrect deductible factor. This constitutes a violation of section 627.062, Florida Statutes.
3. One (1) error was due to failure to affix the Fraud Statement. This constitutes a violation of Section 817.234, Florida Statutes.

C. WORKERS' COMPENSATION

1. Application of Rules, Rates and Forms

a. General Comments

Nationwide Mutual Insurance Company is a National Council on Compensation Insurance (NCCI) company and as such uses this organization's rules, rates and forms. 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>
1996	\$16,274,012	2,867
1997	\$10,983,248	2,531
1998	\$11,248,774	2,383

b. Error Percentages

Twenty-five (25) policies and audits were examined.

Five (5) errors were found.

Errors affecting premium resulted in one (1) overcharges totaling \$218.00.

The errors are broken down as follows:

1. One (1) error was due to the use of an incorrect experience modification. This error resulted in overcharges totaling \$218.00, which has been refunded by the Company. This constitutes a violation of Section 627.191, Florida Statutes.
2. Three (3) errors were due to failure to perform timely audits. This constitutes a violation of Section 627.191, Florida Statutes.
3. One (1) error was due to failure to document the file to allow the experience modification. This constitutes a violation of Section 624.318, Florida Statutes.

2. Unit Statistical Review

a. Audit Comparison

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

No errors were found.

b. Claim Comparison

Twenty-six (26) claim statistical cards were examined.

No errors were found.

IV. AGENTS/MGA REVIEW

Thirty (30) applications/policies written during the scope of examination were examined.

No errors were found.

V. CANCELLATIONS/NONRENEWALS REVIEW

Thirty (30) cancelled/nonrenewed policies were examined.

Eleven(11)errors were found.

None of the errors affected premium calculations.

The errors are broken down as follows:

1. One (2) errors was due to the Company's practice of transferring Commercial Property policies from one Company to another without proper notice of nonrenewal and offer of coverage. This constitutes a violation of Section 627.4133, Florida Statutes.
2. One (1) error was due to failure to maintain documentation of proof of cancellation. This constitutes a violation of Section 627.318, Florida Statutes.
3. Three (3) errors were due to failure to provide timely notice of cancellation. This constitutes a violation of Section 627.4133, Florida Statutes.
4. One (1) error was due to failure to give the specific reason for cancellation. This constitutes a violation of Section 627.4091, Florida Statutes.
5. Four (4) errors were due to failure to advise insured of the required notification to the Department of Highway Safety and Motor Vehicles in the event of cancellation or nonrenewal. This constitutes a violation of Section 627.736, Florida Statutes.

VI. CLAIMS REVIEW

Twenty-five (25 ) claims were examined.

No errors were found.

The Company's internal claim handling procedures and reserving practices are described in Exhibit I.

VII. 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 II.



VIII. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIM HANDLING PROCEDURES	I
COMPLAINT PROCEDURES	II