

**[IN ACCORDANCE WITH CALIFORNIA INSURANCE CODE SECTION 12938,
THIS REPORT WILL BE MADE PUBLIC AND BE PUBLISHED ON THE
CALIFORNIA DEPARTMENT OF INSURANCE (CDI) WEBSITE]**

**WEBSITE PUBLISHED REPORT OF THE
MARKET CONDUCT EXAMINATION OF THE
RATING AND UNDERWRITING PRACTICES OF THE**

**FIREMAN'S FUND INSURANCE GROUP
A SUB-GROUP OF THE ALLIANZ INSURANCE GROUP (NAIC GROUP #0761)**

AS OF JANUARY 15, 2012

ADOPTED ON APRIL 30, 2014

STATE OF CALIFORNIA



**DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION
FIELD RATING AND UNDERWRITING BUREAU**

NOTICE

The provisions of Section 735.5(a), (b), and (c) of the California Insurance Code describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.

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DEPARTMENT OF INSURANCE

CONSUMER SERVICES AND MARKET CONDUCT BRANCH
FIELD RATING & UNDERWRITING BUREAU
300 South Spring Street, 11th Floor
Los Angeles, California 90013



April 30, 2014

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, California 95814

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under the California Insurance Code Part 2, Chapter 1, Article 4, Sections 730, 733, and 736 and Article 6.5, Section 790.04; and Chapter 9, Article 6, Sections 1857.2, 1857.3, and 1857.4 an examination was made of the rating and underwriting practices and procedures in California of the **FIREMAN'S FUND INSURANCE GROUP**, a sub-group of the Allianz Insurance Group (NAIC Group #0761), comprised in California of:

FIREMAN'S FUND INSURANCE COMPANY (NAIC # 21873, CDI #0091-9)
AMERICAN AUTOMOBILE INSURANCE COMPANY (NAIC # 21849, CDI #0377-2)
THE AMERICAN INSURANCE COMPANY (NAIC # 21857, CDI #0010-9)
ASSOCIATED INDEMNITY CORPORATION (NAIC # 21865, CDI #0742-7)
NATIONAL SURETY CORPORATION (NAIC # 21881, CDI #2081-8)
CHICAGO INSURANCE COMPANY (NAIC # 22810, CDI #1761-6)

and

SAN FRANCISCO REINSURANCE COMPANY (NAIC # 21911, CDI #1499-3)

hereinafter referred to as Fireman's Fund Insurance Company (FFIC), American Automobile Insurance Company (AAI), The American Insurance Company (AIC), Associated Indemnity Corporation (AID), National Surety Corporation (NSC), Chicago Insurance Company (CIC) or San Francisco Reinsurance Company (SFR) individually or collectively as Fireman's Fund

Insurance Group, the Companies, or the Group. The California Department of Insurance will be referred to as the Department.

This report is made available for public inspection and is published on the California Department of Insurance website (www.insurance.ca.gov) pursuant to California Insurance Code Section 12938(b)(1).

FOREWORD

This examination covered the rating and underwriting practices of the aforementioned Companies during the period from October 15, 2011 through January 15, 2012. The Fireman's Fund Insurance Group examination included a review of homeowners, private passenger automobile, commercial multiple peril business, and workers' compensation lines of business. The examination was made to discover, in general, if these and other operating procedures of the Companies conform to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), and other applicable insurance law.

This report contains alleged violations of CIC § 790.03 that were identified during the examination and its implementing regulations. A separate report pertains to laws other than CIC § 790.03.

This report is written in a "report by exception" format. This report does not present a comprehensive overview of the subject insurer's practices. The report contains only a summary of pertinent information about the lines of business examined and of the non-compliant or problematic activities or results that were discovered during the course of the examination, along with the insurer's proposals for correcting the deficiencies. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment on, or criticize non-compliant activities in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices, and the Companies' responses, if any, have not undergone a formal administrative or judicial process.

SCOPE OF THE EXAMINATION

To accomplish the foregoing, the examination included:

1. A review of the rates, rating plans, forms, and underwriting rules made or adopted by the Companies for use in California, including a review of records of data, statistics, or information maintained by the Companies in support of or relating to such rates, forms, and rules.
2. A review of the application of such rates, forms, and rules by means of an examination of policy files and related records.
3. A review of the Companies' advertising materials, which consisted of print advertisements distributed through direct mail, product brochures that are available in the offices of Fireman's Fund Insurance Group's appointed agents, and the Companies' internet site at www.firemansfund.com.
4. A review of the Department's market analysis results, a review of any consumer complaints and inquiries received by the Department about these Companies in the year prior to the start of the examination, a review of prior market conduct examination reports on these Companies, and a review of any prior enforcement actions by the Department regarding these Companies.

The examination was conducted principally at Fireman's Fund Insurance Group's offices in Walnut Creek, Rancho Cordova, and San Diego, California.

EXECUTIVE SUMMARY

This examination included a review of policies that were issued, renewed, cancelled, non-renewed, or declined during the period of October 15, 2011 to January 15, 2012, referred to as the “review period,” and a review of the Companies’ general practices and procedures related to rating, underwriting, advertising and marketing, and risk selection. The examiners reviewed 276 in-force policies and 165 terminated and declined policies.

Within the scope of this report, two general practice was alleged to be in violation of CIC § 790.03. The Group did not maintain records to demonstrate that its staff or agents provided disclosure of the replacement cost, and insurance to value on its homeowner’s policies to the insureds. Details regarding the examination results are provided in the final section of this report.

RESULTS OF THE REVIEW OF MARKET ANALYSIS,
CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS,
AND PRIOR ENFORCEMENT ACTIONS

The market analysis review of the period from January 1, 2011 to December 31, 2011 did not identify any specific areas of concern within the scope of this report.

METHOD OF DOING BUSINESS

Fireman's Fund Insurance Group writes business in California through licensed independent insurance agencies. Branch offices in Rancho Cordova, California and Walnut Creek California provide marketing, underwriting, policy processing and billing services for commercial lines, and serve as local claims centers for all lines of business. All personal lines underwriting and processing occur at Fireman's Fund Insurance Group's centralized facility located in San Diego, California.

The Companies do not offer any of their products through Managing General Agencies.

AUTHORIZED CLASSES OF BUSINESS

The Companies are authorized to transact the following classes of business in California:

<u>Class No.</u>	<u>Class Of Insurance</u>	<u>FFIC</u>	<u>AAI</u>	<u>AIC</u>	<u>AID</u>	<u>NSC</u>	<u>CIC</u>	<u>SFR</u>
2.	Fire	X	X	X	X	X	X	X
3.	Marine	X	X	X	X	X	X	X
5.	Surety	X	X	X	X	X	X	X
6.	Disability	X	X	X	X	X		X
7.	Plate Glass	X	X	X	X	X	X	X
8.	Liability	X	X	X	X	X	X	X
9.	Workers' Compensation	X	X	X	X	X		X
10.	Common Carrier	X	X	X	X	X	X	X
11.	Boiler and Machinery	X	X	X	X	X	X	X
12.	Burglary	X	X	X	X	X	X	X
13.	Credit	X	X	X	X	X	X	X
14.	Sprinkler	X	X	X	X	X	X	X
15.	Team and Vehicle	X	X	X	X	X	X	X
16.	Automobile	X	X	X	X	X	X	X
18.	Aircraft	X	X	X	X	X	X	X
20.	Miscellaneous	X	X	X	X	X	X	X

PREMIUM AND LOSS EXPERIENCE STUDY

The following tables show the California premium and loss experience for each Company comprising Fireman's Fund Insurance Group by line of business for calendar year 2011, based on data from the Statutory Page 14 of the Annual Statement filed with the Department. San Francisco Reinsurance Company reported no California premiums or losses in 2011. The "Fireman's Fund Insurance Group, Consolidated" table includes combined California premium and loss experience for all companies. The loss ratio for each line is calculated by dividing Direct Losses Incurred by Direct Premiums Earned. (Figures with no meaning due to division by zero are indicated as "NM," as are calculations including a negative premium earned. All ratios are capped at 999 %.)

Fireman's Fund Insurance Group Consolidated
California Premium and Loss Experience by Line for the Year 2011

Line of Coverage	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Loss Ratio (%)
Fire	8,057,951	8,317,287	2,568,411	31%
Allied lines	4,305,490	4,400,200	1,154,978	26%
Multiple peril crop	0	0	684,246	NM
Farmowners multiple peril	10,042,892	10,137,534	1,457,874	14%
Homeowners multiple peril	122,990,390	129,961,329	50,534,684	39%
Commercial multiple peril (non-liability portion)	104,345,667	114,445,643	48,891,519	43%
Commercial multiple peril (liability portion)	74,042,521	80,841,809	29,218,318	36%
Ocean marine	-189,930	-116,197	6,837,236	NM
Inland marine	46,870,655	47,906,181	17,637,800	37%
Financial guaranty	0	0	-11	NM
Medical professional liability	449,868	882,963	-3,390,313	-384%
Earthquake	22,676,513	23,418,962	-1,671,336	-7%
Other accident only	0	0	-11,981	NM
All other A&H	0	0	4	NM
Workers' compensation	75,358,687	74,388,726	174,562,133	235%
Other liability - occurrence	78,818,724	81,757,058	20,399,641	25%
Other liability - claims-made	2,927,527	2,540,575	-1,299,039	-51%
Excess workers' compensation	0	0	30	NM
Products liability	4,223,161	4,323,414	-11,614,417	-269%
Private passenger auto no-fault (personal injury protection)	0	0	1,600	NM
Other private passenger auto liability	13,794,227	14,241,411	5,696,515	40%
Commercial auto no-fault (personal injury protection)	0	0	-2,511	NM
Other commercial auto liability	10,143,527	10,716,482	5,672,919	53%
Private passenger auto physical damage	14,181,852	15,345,655	7,026,098	46%
Commercial auto physical damage	2,350,471	2,529,718	991,278	39%
Aircraft (all perils)	0	0	418,338	NM
Fidelity	1,218	1,218	-1,404	-115%
Surety	11,382,781	12,115,786	6,249,157	52%
Burglary and theft	97	118	-22,962	-999%
Boiler and machinery	590,461	552,372	8,830	2%
Warranty	0	49	-3,101,153	-999%
Totals	607,364,750	638,708,293	358,896,247	56%

Fireman's Fund Insurance Company
California Premium and Loss Experience by Line for the Year 2011

Line of Coverage	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Loss Ratio (%)
Fire	3,710,354	3,844,279	1,599,788	42%
Allied lines	2,333,208	2,387,180	95,556	4%
Multiple peril crop	0	0	684,246	NM
Farmowners multiple peril	3,176,669	1,963,256	652,359	33%
Homeowners multiple peril	115,534,237	122,168,831	46,747,171	38%
Commercial multiple peril (non-liability portion)	21,789,757	26,016,874	8,864,672	34%
Commercial multiple peril (liability portion)	12,912,104	15,914,639	8,433,873	53%
Ocean marine	-189,930	-116,197	6,837,236	NM
Inland marine	43,606,774	44,619,720	16,245,365	36%
Medical professional liability	0	0	-1,133,208	NM
Earthquake	20,513,776	21,153,679	-1,526,548	-7%
Other accident only	0	0	-176	NM
Workers' compensation	11,455,536	11,589,231	41,517,936	358%
Other liability - occurrence	53,464,939	54,802,042	-5,296,404	-10%
Other liability - claims-made	2,848,336	2,377,244	727,002	31%
Excess workers' compensation	0	0	30	NM
Products liability	3,173,343	3,231,296	-15,521,136	-480%
Private passenger auto no-fault (personal injury protection)	0	0	1,600	NM
Other private passenger auto liability	13,822,018	14,269,202	5,911,109	41%
Commercial auto no-fault (personal injury protection)	0	0	-2,511	NM
Other commercial auto liability	1,052,222	1,214,330	534,948	44%
Private passenger auto physical damage	14,181,852	15,345,655	7,054,025	46%
Commercial auto physical damage	267,524	389,090	304,152	78%
Aircraft (all perils)	0	0	418,338	NM
Fidelity	0	0	-988	NM
Surety	11,243,709	11,967,147	6,627,413	55%
Burglary and theft	0	0	-21,821	NM
Boiler and machinery	561,698	526,856	8,875	2%
Warranty	0	49	-3,101,153	-999%
Totals	335,458,126	353,664,403	126,661,749	36%

American Automobile Insurance Company
California Premium and Loss Experience by Line for the Year 2011

Line of Coverage	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Loss Ratio (%)
Farmowners multiple peril	131	23	3	13%
Commercial multiple peril (non-liability portion)	12,511,380	12,823,270	6,198,483	48%
Commercial multiple peril (liability portion)	9,007,507	9,144,947	2,714,448	30%
Inland marine	21,963	21,898	-231	-1%
Medical professional liability	0	0	-35,779	NM
Earthquake	479	479	-141	-29%
Other accident only	0	0	-11,805	NM
Workers' compensation	19,385,378	18,932,526	36,662,274	194%
Other liability - occurrence	8,023,392	8,223,936	4,954,184	60%
Other liability - claims-made	-16	1,871	-8,245	-441%
Products liability	17,298	42,876	6,857	16%
Other private passenger auto liability	-27,791	-27,791	0	NM
Other commercial auto liability	2,058,126	2,159,974	1,587,243	73%
Commercial auto physical damage	245,604	302,558	82,382	27%
Surety	1,675	1,675	-108,832	-999%
Burglary and theft	0	0	-26	NM
Boiler and machinery	396	396	-5	-1%
Totals	51,245,522	51,628,638	52,040,575	101%

American Insurance Company
California Premium and Loss Experience by Line for the Year 2011

Line of Coverage	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Loss Ratio (%)
Fire	29,023	56,424	576,680	999%
Allied lines	747	741	-62	-8%
Farmowners multiple peril	3,566,533	4,322,915	449,921	10%
Homeowners multiple peril	55,272	59,129	-3,162	-5%
Commercial multiple peril (non-liability portion)	30,377,600	33,720,405	18,101,019	54%
Commercial multiple peril (liability portion)	22,859,100	24,953,976	5,671,058	23%
Inland marine	2,833,042	2,838,525	1,182,593	42%
Medical professional liability	381,588	370,394	-1,305,090	-352%
Earthquake	42,431	38,406	-2,339	-6%
Workers' compensation	19,230,289	17,362,135	57,745,946	333%
Other liability - occurrence	9,697,870	10,181,612	2,224,015	22%
Other liability - claims-made	36,908	33,082	-3,310	-10%
Products liability	403,679	411,581	2,372,637	576%
Other commercial auto liability	4,287,749	4,762,542	1,953,224	41%
Commercial auto physical damage	873,381	903,528	262,595	29%
Fidelity	1,218	1,218	-415	-34%
Surety	138,192	147,198	-204,686	-139%
Burglary and theft	97	97	-769	-793%
Boiler and machinery	3,001	4,690	-12	0%
Totals	94,817,720	100,168,598	89,019,847	89%

Associated Indemnity Corporation
California Premium and Loss Experience by Line for the Year 2011

Line of Coverage	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Loss Ratio (%)
Fire	4,309,941	4,407,895	396,513	9%
Allied lines	1,970,848	2,011,723	1,059,592	53%
Farmowners multiple peril	358,474	849,627	-83,552	-10%
Homeowners multiple peril	7,337,920	7,678,994	3,776,093	49%
Commercial multiple peril (non-liability portion)	7,240,583	7,779,046	4,256,691	55%
Commercial multiple peril (liability portion)	6,065,356	6,941,497	2,410,491	35%
Inland marine	386,555	410,948	202,726	49%
Financial guaranty	0	0	-11	NM
Medical professional liability	0	0	-6,148	NM
Earthquake	2,092,904	2,205,390	-141,006	-6%
Workers' compensation	505,393	647,238	7,282,910	999%
Other liability - occurrence	1,433,809	1,498,014	10,920,416	729%
Products liability	61,250	75,354	9,168	12%
Other commercial auto liability	701,327	715,192	1,126,687	158%
Private passenger auto physical damage	0	0	-1	NM
Commercial auto physical damage	257,304	266,075	77,180	29%
Surety	0	0	4,645	NM
Burglary and theft	0	21	-91	-433%
Boiler and machinery	814	680	-2	0%
Totals	32,722,478	35,487,694	31,291,997	88%

National Surety Corporation

California Premium and Loss Experience by Line for the Year 2011

Line of Coverage	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Loss Ratio (%)
Fire	8,633	8,689	-3,646	-42%
Allied lines	687	556	-108	-19%
Farmowners multiple peril	2,941,085	3,001,713	439,143	15%
Homeowners multiple peril	62,961	54,375	14,582	27%
Commercial multiple peril (non-liability portion)	32,426,347	34,106,048	11,470,654	34%
Commercial multiple peril (liability portion)	23,198,454	23,886,750	9,988,449	42%
Inland marine	22,321	15,090	13,223	88%
Medical professional liability	0	0	-5,524	NM
Earthquake	26,923	21,008	-1,302	-6%
Workers' compensation	24,782,091	25,857,596	31,353,067	121%
Other liability - occurrence	6,198,767	7,051,504	5,460,255	77%
Other liability - claims-made	5,582	5,582	94	2%
Products liability	567,591	562,307	1,518,056	270%
Other private passenger auto liability	0	0	-3,898	NM
Other commercial auto liability	2,044,103	1,864,444	470,815	25%
Commercial auto physical damage	706,658	668,467	264,952	40%
Fidelity	0	0	-1	NM
Surety	-795	-234	-69,383	NM
Burglary and theft	0	0	-255	NM
Boiler and machinery	24,552	19,750	-26	0%
Totals	93,015,960	97,123,645	60,909,147	63%

Chicago Insurance Company

California Premium and Loss Experience by Line for the Year 2011

Line of Coverage	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Losses Incurred (\$)	Loss Ratio (%)
Fire	0	0	-924	NM
Commercial multiple peril (liability portion)	0	0	-1	NM
Inland marine	0	0	-5,876	NM
Medical professional liability	68,280	512,569	-904,564	-176%
Other liability - occurrence	-53	-50	2,137,175	NM
Other liability - claims-made	36,717	122,796	-2,014,596	-999%
Products liability	0	0	1	NM
Other private passenger auto liability	0	0	-210,376	NM
Other commercial auto liability	0	0	2	NM
Private passenger auto physical damage	0	0	-27,926	NM
Commercial auto physical damage	0	0	17	NM
Totals	104,944	635,315	-1,027,068	-162%

LINES OF BUSINESS REVIEWED

The Fireman's Fund Insurance Group examination included a review of the following lines of business.

Homeowners

Prestige Home Standard

Rates Filed: October 31, 2010

Rate Page Edition: October 31, 2010

Prestige Home Premier

Rates Filed: April 1, 2011

Rate Page Edition: April 1, 2011

Fireman's Fund Insurance Group provides residential property and liability coverage under the Prestige Home Standard program through Associated Indemnity Corporation, and Prestige Home Premier program through Fireman's Fund Insurance Company. The Prestige Home Standard program is similar to an ISO HO3 program, while the Prestige Home Premier program is an open perils contract that automatically includes additional coverage such as unlimited loss of use, extended replacement cost, and building ordinance coverage.

Private Passenger Automobile

Prestige Auto Standard

Rates Filed: June 15, 2011

Rate Page Edition: June 15, 2011

Prestige Auto Premier

Rates Filed: June 15, 2011

Rate Page Edition: June 15, 2011

Fireman's Fund Insurance Company provides private passenger automobile coverage under the Prestige Auto Standard and Prestige Auto Premier programs. The eligibility requirements are identical for each program; however the Prestige Auto Premier program provides additional coverages that the Prestige Auto Standard program does not. Prestige Auto Premier provides above market value coverage, excess medical payments, transportation expense, trip interruption, customizing equipment coverage, auto loan/lease coverage, 24/7 towing and emergency road service, permanently installed telephones coverage, key coverage,

full window glass coverage, original equipment manufacturer replacement parts coverage, vehicle identity theft coverage, and non-owned trailer coverage.

Commercial Multiple Peril

Businessowners (BOP)

Rates Filed: May 15, 2011

Rate Page Edition: May 15, 2011

Commercial Multiple Peril Package (CMP)

Rates Filed: August 1, 2011

Rate Page Edition: August 1, 2011

Fireman's Fund Insurance Group offers both a commercial multiple peril package policy and a businessowners policy. The businessowners program is designed for small to medium sized risks in the retail, restaurant, wholesale, service, office, and real estate industries. The Group places BOP superior accounts in FFIC, preferred accounts in NSC, above average accounts in AAI, and sub-standard accounts in AIC. The commercial multiple peril package is designed for small to large businesses with low, medium and high risk hazards for a broad range of industries including commercial and multi-family real estate, manufacturing, wholesale, hospitality, retail, business and professional services. The Group places the CMP superior accounts in FFIC, preferred accounts in NSC, standard accounts in AIC, and sub-standard accounts in AID. The General Liability coverage part in the CMP automatically includes the Fireman's Fund Multi-Cover commercial liability endorsement, and offers expanded liability protection with more than 15 additional coverage extensions.

Workers' Compensation

Rates Filed: February, 1 2011

Rate Page Edition: February, 1 2011

Fireman's Fund Insurance Group offers a variety of workers' compensation related products for small business accounts, middle market accounts, and specialty programs such as an entertainment program. The Group places its preferred business in FFIC, above average in NSC, standard in AIC, and sub-standard business in AID. Association business is written in AAI.

DETAILS OF THE CURRENT EXAMINATION

The following sections of the report provide summary information regarding the policy review, a statutes and regulations that were cited during the examination.

POLICY REVIEW RESULTS

The policy sample was reviewed to determine if the Companies were properly and consistently applying their adopted rates, rating plans and underwriting rules at the individual policy level. The policies were selected at random from the Companies' listing of policies issued, renewed, non-renewed, cancelled, or declined during the period of October 15, 2011 and January 15, 2012. The results of this review are listed below on the In-Force Policies table and the Terminated and Declined Transactions table.

The In-Force Policies table shows the number of policies reviewed, the number of policies with rating errors, the number of policies with non-rating errors, and the error ratios by program and company resulting from this examination. In general, policies containing rating errors that result in premium overcharges are corrected by policy endorsement, and refunds are made to the policyholder. Policies with errors that result in undercharges are marked for corrective action at the next policy renewal date. Non-rating errors include forms, documentation, and other errors not affecting premium. (Errors that result in premium charges under \$5 or 1% of the policy premium, whichever is greater, are counted as non-rating errors.)

The Terminated and Declined Transactions table shows the number of termination transactions reviewed per line of business. These include policies which had been cancelled, non-renewed, or declined. The number of policies with errors noted in the termination transaction is shown, as well as the overall ratio of terminations with errors.

FIREMAN'S FUND INSURANCE GROUP

Policy Review Result Summary Tables

In-Force Policies

Program	No. of Policies Reviewed	No. with Rating Errors	Rating Error Ratio %	No. with Non-Rating Errors	Non-Rating Error Ratio %
Homeowners					
FFIC	71	3	4%	10	14%
AID	7	0	0%	1	14%
Total Homeowners	78	3	4%	11	14%
Private Passenger Automobile					
FFIC	68	12	18%	5	7%
Commercial Multiple Peril					
Package					
AAI	2	0	0	1	50%
AIC	10	7	60%	2	20%
AID	4	2	50%	0	0%
FFIC	6	3	50%	0	0%
NSC	18	12	56%	5	28%
Total CMP Package	40	24	60%	8	20%
BOP					
AAI	5	2	40%	1	20%
AIC	16	1	6%	12	75%
AID	5	1	20%	1	20%
FFIC	7	1	14%	0	0%
NSC	7	0	0	2	14%
Total CMP BOP	40	5	13%	16	40%
Workers' Compensation					
FFIC	5	1	20%	0	0
NSC	14	0	0	1	0
AAI	25	0	0	2	8%
AIC	6	0	0	1	17%
Total Workers' Compensation	50	1	2%	4	6%
TOTALS	276	45	16%	44	16%

Terminated and Declined Transactions

Program	No. of Policies Reviewed	No. with Errors	Error Ratio %
Homeowners			
Declined	2	0	0%
Non-Renewed	15	0	0%
Cancelled	17	0	0%
Total Homeowners	34	0	0%
Private Passenger Automobile			
Declined	1	1	100%
Non-Renewed	24	2	8%
Total Private Passenger Automobile	25	3	12%
Commercial Multiple Peril			
Package			
Declined	15	0	0%
Non-Renewed	16	0	0%
Cancelled	16	0	0%
BOP			
Declined	15	0	0%
Non-Renewed	19	0	0%
Total Commercial Multiple Peril	81	0	0%
Workers' Compensation			
Declined	15	0	0%
Non-Renewed	10	0	0%
Total Workers' Compensation	25	0	0%
TOTALS	165	3	2%

GENERAL PRACTICES REVIEW RESULTS

The examination included a review of the rates, rating plans, forms, and underwriting rules made or adopted by Fireman's Fund Insurance Group for use in California. The table below identifies the provisions of CIC § 790.03 and/or its implementing regulations for which violations were alleged during the examination. Each law listed on the following table may be due to a general practice which affects many policyholders. One practice can also violate multiple laws or occur across multiple companies within an insurer group.

SUMMARY OF RELEVANT LAWS

	Code Citation	Description of Law
1.	CIC § 790.03(b)	Making or disseminating to the public in this state, in any newspaper or publication, or in any other advertising device, a statement regarding the business of insurance that is untrue, deceptive, or misleading is a prohibited act.
2.	CCR § 2695.183	No licensee shall communicate an estimate of replacement cost to an applicant or insured in connection with an application for or renewal of a homeowners' insurance policy that provides coverage on a replacement cost basis, unless the requirements and standards set forth in subdivisions (a) through (e) are met.
3.	CCR § 2695.183(a)	The estimate of replacement cost shall include the expenses that would reasonably be incurred to rebuild the insured structure(s) in its entirety, including at least the following: (1) Cost of labor, building materials and supplies; (2) Overhead and profit; (3) Cost of demolition and debris removal; (4) Cost of permits and architect's plans (5) Consideration of components and features of the insured structure, including at least those listed in this code.

	Code Citation	Description of Law
4.	CCR § 2695.183(g)(1)	If a licensee communicates an estimate of replacement cost to an applicant or insured in connection with an application for or renewal of a homeowners' insurance policy that provides coverage on a replacement cost basis, the licensee must provide a copy of the estimate of replacement cost to the applicant or insured at the time the estimate is communicated. In the event the estimate of replacement cost is communicated by telephone, the copy of the estimate shall be mailed no later than three business days after the time of the telephone conversation.
5.	CCR § 2695.183(g)(2)	An estimate of replacement cost provided in connection with an application for or renewal of a homeowners' insurance policy that provides coverage on a replacement cost basis must itemize the projected cost for each element specified in paragraphs (a)(1) through (a)(4), and shall identify the assumptions made for each of the components and features listed in paragraph (a)(5), of this Section.
6.	CCR § 2695.183(j)	To communicate an estimate of replacement value not comporting with subdivisions (a) through (e) of Section 2695.183 to an applicant or insured in connection with an application for or renewal of a homeowners' insurance policy that provides coverage on a replacement cost basis constitutes making a statement with respect to the business of insurance which is misleading and which by the exercise of reasonable care should be known to be misleading, pursuant to Insurance Code section 790.03.

SUMMARY OF EXAMINATION RESULTS

During the Fireman's Fund Insurance Group examination, and within the scope of this report, two general practices were alleged to be in violation of CIC § 790.03 or its implementing regulations. In response to each of the Department's allegations of non-compliance, the Companies were required to identify remedial or corrective action that was or will be taken to correct the deficiency. Regardless of actions taken or proposed by the insurer in this report, it is the insurer's obligation to ensure that compliance with California law is maintained continuously. Any non-compliant practice identified in this report may extend to other jurisdictions. The Companies were asked if they intend to take corrective action in all jurisdictions where applicable. The Companies intend to implement corrective actions in all jurisdictions.

No premium has been returned to consumers as a result of the issues described in this report.

Homeowners

1. The examiners' review of homeowner policies revealed that in eight instances the Companies failed to provide documentation to demonstrate that the four components: 1) Labor and Reconstruction 2) Architects Fees and Permits 3) Overhead and Profit 4) Demolition and Debris Removal were included in the communication from the agent to the insured when replacement cost estimates were provided. In addition, the examiners found examples of agents calculating replacement cost without any specific methodology, but rather developing ballpark dwelling limits which were used to issue those policies.

The Department alleges these acts are in violation of CCR Sections 2695.183(a); 2695.183(g)(1); 2695.183(g)(2) and CCR § 2695.183(j) and are statements with respect to the business of insurance which are misleading, and which are known, or which in the exercise of reasonable care should be known to be misleading under CIC § 790.03(b).
CIC § 790.03(b) and CCR §§ 2695.183; 2695.183(a); 2695.183(g)(1); 2695.183(g)(2); 2695.183(j)

Summary of Insurer Response: Fireman's Fund Insurance Group sent a letter to its agents as of September 30, 2012 reminding them of their duty to provide their customers with replacement cost estimates that include a break out of the four key components included in the estimate.

2. The examiners found that in seven instances Fireman's Fund Insurance Group failed to use the California version of Marshall & Swift/Boeckh (MSB) insurance to value calculator for properties with limits under \$1,000,000 in value that includes a break out the replacement cost calculation in the four components which are required by regulation as follows: 1) Labor and Reconstruction 2) Architects Fees and Permits 3) Overhead and Profit 4) Demolition and Debris Removal.

The Department alleges these acts are in violation of CCR Sections 2695.183; 2695.183(a); 2695(g)(2) and CCR § 2695.183(j) and are statements with respect to the business of insurance which are misleading, and which are known, or which in the exercise of reasonable care should be known to be misleading under CIC § 790.03(b).

CIC § 790.03(b) and CCR §§ 2695.183; 2695.183(a); 2695.183(g)(2); and 2695.183(j)

Summary of Insurer Response: The Companies pointed out that the MSB calculator does break out these elements for California, but its staff used the non-California version of the form. The Group reminded its staff and agents to use the correct version of the form in California as of August 31, 2012.