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

WEBSITE PUBLISHED REPORT OF THE MARKET CONDUCT EXAMINATION OF THE CLAIMS HANDLING, RATING, AND UNDERWRITING PRACTICES OF

ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
NAIC # 19489 CDI # 3577-4

AS OF JANUARY 31, 2015

ADOPTED MAY 4, 2015

STATE OF CALIFORNIA

CALIFORNIA DEPARTMENT OF INSURANCE

MARKET CONDUCT DIVISION

NOTICE

The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) 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 adopted 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.

TABLE OF CONTENTS

SALUTATION 1

FOREWORD 2

SCOPE OF THE EXAMINATION 3

EXECUTIVE SUMMARY 4

RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS 5

DETAILS OF THE CURRENT EXAMINATION 6

SUMMARY OF EXAMINATION RESULTS 9

DEPARTMENT OF INSURANCE
Market Conduct Division
300 Capitol Mall
Sacramento, CA 95814

May 4, 2015

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, 736 and Article 6.5, Section 790.04 and California Code of Regulations Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a), a limited examination was made of the claims handling, rating, and underwriting practices and procedures in California of:

Allied World Assurance Company (U.S.) Inc.
NAIC # 19489
Group NAIC # 0239

Hereinafter, the Company listed above also will be referred to as the Company.

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 limited desk examination covered the claims handling, rating, and underwriting practices of the aforementioned Company's Professional Liability line of business during the period February 1, 2014 through January 31, 2015. The limited examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

This report pertains to Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

The report does not present a comprehensive overview of the subject insurer's practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer's proposals for correcting the deficiencies. When identified violations result in payments by the Company to policyholders or claimants, those amounts paid are identified as recoveries in this report. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices 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 Company's 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 specified guidelines, procedures, and forms adopted by the Company for use in California;

2. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about this Company closed by the CDI during the period February 1, 2014 through January 31, 2015; a review of reports on the previous CDI market conduct examinations of this Company; and a review of prior CDI enforcement actions.

This limited examination was conducted at the offices of the California Department of Insurance in Sacramento, California.

EXECUTIVE SUMMARY

This desk examination was limited in scope to market analysis information, including California consumer complaint information, to national enforcement activity and to information provided by the Company in response to the Department's data request. There was no review of underwriting or claims files during this examination.

There were no alleged violations or findings of non-compliance within the scope of this report.

Allied World Assurance Company (U.S.) Inc. reported $8,292,000 in written premiums on Professional Liability insurance coverage in California during 2014. The Company closed 224 Professional Liability claims during 2014.

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

The market analysis review and the review of consumer complaints identified no specific areas of concern.

The previous examination was completed by the Field Rating and Underwriting Bureau and reviewed the period from February 1, 2009 through January 31, 2010. The most significant noncompliance issue identified in the previous examination report and within the scope of this report was the failure of the Company to certify the training of its licensees and the licensees of its third party administrators in the California Fair Claims Settlement Practices Regulations. This issue was not identified as problematic in the current examination.

The Company was not the subject of any prior enforcement action by the California Department of Insurance.

DETAILS OF THE CURRENT EXAMINATION

The following tables summarize the Company's responses, within the scope of this report, to the Department's data request and alleged violations under Section 790.03 and title 10, California Code of Regulations, Section 2695 et al., that resulted from the review of that data. All "NO" answers in the Areas of Review table are addressed in the Summary of Examination Results section of this report. A summary of each of the laws cited due to a "NO" answer is provided in the Cited Statutes and Regulations table.

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	**INDICATION OF COMPLIANCE (YES/NO)**	**SUMMARY OF RESULTS ITEM NUMBER**
Compliance with the California Fair claims Settlement Practices Regulations – Certification signed by principal of Company under penalty of perjury CCR §§2695.6, 2695.6(b)(1)(2)(3) [CIC 790.03(h)(3)]	YES	
Compliance with the California Fair claims Settlement Practices Regulations – Written standards for prompt investigation and process of claims provided to all agents/examiners CCR §2695.6(a) [CIC §790.03(h)(3)]	YES	
Compliance with the California SIU Regulations – CIC §1875.20 and CCR §§ 2698.30 through 2698.43 [CIC §790.03(h)(3)]	YES	
Compliance of letters and forms by identifying underlying insurer— CIC §880 [CIC §790.03(h)(3)]	YES	
Compliance of letters and forms by inclusion of proper fraud language – CIC §1879.2(a),CCR §2695.7(b)3) [CIC §790.03(h)(3)]	YES	

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	**INDICATION OF COMPLIANCE (YES/NO)**	**SUMMARY OF RESULTS ITEM NUMBER**
Compliance of quality control procedures identified – CCR §§2695.4, 2695.5 and 2695.7 [CIC §790.03(h)]	YES	
Disclosure of benefits – CCR §2695.4(a) [CIC §790.03(h)(1)]	YES	
Timely response to communications – CCR §2695.5(b) [CIC §790.03(h)(2)]	YES	
Timely acknowledgement of receipt of claim – CCR §2695.5(e) [CIC §790.03(h)(2)]	YES	
Acceptance as notice of claim an attorney letter sent to the medical professional – CIC §790.03(h)(2)	YES	
Timely assistance to claimant to perfect claim – CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	YES	
Timely commencement of investigative activities – CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	YES	
Denials are written – CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	YES	
Denial letter to include reference to Dept. of Insurance, including address, telephone number and name of unit reviewing claims practices – CCR 2695.7(b)(3) [CIC § 790.03(h)(3)]	YES	
Timely acceptance or denial of claims – CCR §2695.7(b) [CIC §790.03(h)(4)]	YES	
Written notice sent every 30 days for extended time to evaluate a claim after initial 40 day review period – CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	YES	

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	**INDICATION OF COMPLIANCE (YES/NO)**	**SUMMARY OF RESULTS ITEM NUMBER**
Timely payment of accepted claims – CCR §2695.7(h) [CIC §790.03(h)(5)]	*N/A	
Advise unrepresented claimants of any statute of limitation or other time period requirements – CCR §2695.7(f) [CIC §790.03(h)(15)]	YES	
Compliance of written notification regarding applicable statute of limitations for unrepresented claimants to whom partial payments are made – CIC §11583 [CIC §790.03(h)(3)]	YES	

*N/A – Not applicable; the Company indicates that this law is not relevant to its particular claims handling, rating or underwriting practice.

SUMMARY OF EXAMINATION RESULTS

There were no alleged violations or criticisms of the Company's practices made within the scope of this report. There were no recoveries discovered within the scope of this report.