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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
PO BOX 110805
JUNEAU, AK 99811-0805

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
550 WEST SEVENTH AVENUE, SUITE 1560
ANCHORAGE, ALASKA 99501-3567
PHONE: (907) 269-7900
FAX: (907) 269-7910
IF YOU NEED HEARING ASSISTANCE, PLEASE CALL ALASKA RELAY AT 711

Order # TA 16-02)
In the Matter of Audit of)
Worldwide Facilities LLC)
_____)

FINDINGS OF FACT

1. An audit report of Worldwide Facilities LLC, licensed in the State of Alaska, has been issued by the State of Alaska, Division of Insurance to Worldwide Facilities LLC.
2. The audit report of Worldwide Facilities LLC (TA 16-02) has been transmitted to Davis Moore, Compliance Officer, Worldwide Facilities LLC (Auditee), and Auditee has been

1 accorded at least 30 days' opportunity to review and comment on this audit report.

2
3 3. The director of the Division of Insurance has fully considered and reviewed the
4 report and any relevant portions of the auditor's work papers to the extent she considered
5 necessary.

6
7 CONCLUSIONS OF LAW

8
9 1. The written audit report referred to in Finding of Fact No. 1 was issued in
10 accordance with Alaska Statute (AS) 21.06.150(b).

11
12 2. The actions set forth in finding of Fact No. 2 were conducted in accordance with AS
13 21.06.150(b).

14
15 3. The director of the Division of Insurance has reviewed the audit report and any
16 other relevant work papers as set forth in Finding of Fact No. 3 to the extent she considered
17 necessary in accordance with AS 21.06.150(b).

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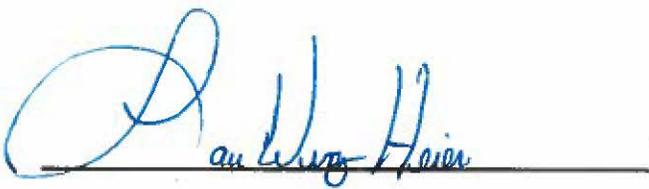
ORDER

IT IS ORDERED

1. Pursuant to AS 21.06.150(b)(1), the audit report of Worldwide Facilities LLC (TA 16-02) is approved as filed.
2. Pursuant to AS 21.06.060, the audit report shall be kept in the office of the director of the Division of Insurance and be open to public inspection.

This order is effective November 4th, 2016.

Dated this 4th day of November, 2016 at Anchorage, Alaska.



Lori Wing-Heier, Director
State of Alaska
Division of Insurance

PREMIUM TAX AUDIT OF

Worldwide Facilities LLC

Los Angeles, CA

Alaska License #9718

TA 16-02

As of December 31, 2015

**Issued by
DIVISION OF INSURANCE
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC
DEVELOPMENT
STATE OF ALASKA**



**FINAL REPORT:
November 4, 2016**

TABLE OF CONTENTS

	PAGE
1) TABLE OF CONTENTS.....	2
2) SALUTATION	3
3) SCOPE OF AUDIT.....	3
4) METHODOLOGY	4
5) PREMIUM TAX AUDIT	6
6) SUMMARY AND SUBSEQUENT EVENTS.....	9
7) AFFIDAVIT	10



November 4, 2016

Lori K Wing-Heier, CIC, CRM
Director, Division of Insurance
Department of Commerce, Community and Economic Development
550 West 7th Avenue, Suite 1560
Anchorage, AK 99501-3567

Pursuant to Alaska Statute (AS) 21.06.130, the Alaska Division of Insurance performed a limited and targeted premium tax audit of Worldwide Facilities LLC. The audit was conducted by Rebecca Nesheim, tax auditor for the Alaska Division of Insurance.

Worldwide Facilities LLC

SCOPE OF AUDIT

This premium tax audit was called to review compliance with the surplus lines statutes AS 21.34, and regulations 3 AAC 25 and the premium tax regulations 3 AAC 21.550 – 570. This is the fourth premium tax audit of Worldwide Facilities LLC conducted by the Alaska Division of Insurance (the division).

Subject Matters Audited

Worldwide Facilities LLC (the broker) is an Alaska licensed surplus lines broker based in Los Angeles, CA. The division elected to audit their quarterly filings, premium taxes and filing fees paid for accuracy and timeliness as well as required diligent search efforts, disclosures, notifications, and prompt delivery of material facts in evidence of insurance to the insured.

Time Frame

The audit covered this broker's surplus lines business for the years January 1, 2014 through December 31, 2015.

METHODOLOGY

The division sent the call letter and initial data requests to the broker's office in Los Angeles, CA. A list of all Alaska business transactions with nonadmitted insurers was requested for the period to be audited. The broker complied on a timely basis with all data requests. The number of policies written during the audit period was 1,272, from which a sample of 50 files was selected for audit. Once the audit started, one file was determined to be written with an admitted company. Another file was selected to replace this policy keeping the audit files at 50.

The following are the procedure steps for the audit:

- 1) Verify that quarterly reports and accompanying forms were filed on time.
 - i) Audit steps taken:
 - (1) Reviewed the quarterly reports sent to the Alaska Division of Insurance and verified they were filed by the due date.
- 2) Verify the accuracy of the premium calculation.
 - i) Audit steps taken:
 - (1) Reviewed policy, binders, and invoices to determine how taxable premium was calculated.
 - (2) Verified the correct premium was reported on the reports as filed.
- 3) Verify the accuracy of quarterly reports filed.
 - i) Audit steps taken:
 - (1) Reviewed the policy, binder, and endorsement pages in each file.
 - (2) If the effective date did not match the quarterly filing, reviewed the correspondence to ensure the documentation in the file matched when the policy was booked. Most of these occurred with endorsements that often require additional information and sometimes company approval before it can be added to the policy. The invoice date determines in which quarter the endorsement is required to be filed.
 - (3) Verified the quarterly reports as filed with the division were accurately filled out to reflect the correct effective date, premiums, taxes and fees based upon the information in the files.
 - (4) Verified a statement of exempt premiums was filed when appropriate.
 - (5) Verified the policy was included in the quarterly filing based upon the effective date of the policy.
 - (6) Verified the insured name, insurance company, policy type codes, producer names and license numbers were accurate on the forms filed.
 - (7) Verified the descriptions of the subject and locations of risk were identified on the reports.
- 4) Confirm Alaska is the home state of the insured.
 - i) Audit steps taken:
 - (1) Verified where the principal place of business or residence of the insured is located.
 - (2) Verified at least partial risk is located in Alaska or the highest % of premium in Alaska if headquarters not in Alaska.
- 5) Verify if tax and filing fee payments were made on time and by ACH.
 - i) Audit steps taken:

- (1) Confirmed when the payments were received by the Alaska Division of Insurance and the payment method.
- 6) Verify tax and filing fee payments were made accurately.
 - i) Audit steps taken:
 - (1) Confirmed if the tax and fee payments matched the quarterly reports as filed.
- 7) Review effort made to place insured with an admitted insurer.
 - i) Audit steps taken:
 - (1) Verified the diligent search was documented prior to binding and the declinations completed. If there were no declinations due to risk on the placement list, the list effective at the time of placement was reviewed to ensure the risk was on the list
 - (2) For effective dates beginning 9/4/14, verified the documentation was received within 15 days of binding with the actual search completed prior to binding.
- 8) Review prompt delivery of evidence of insurance AS 21.34.100(a) and 3 AAC 25.060.
 - i) Audit steps taken:
 - (1) Reviewed dates of binding and forwarding evidence of insurance to insured.
- 9) Review required material facts are located on evidence of insurance AS 21.34.100(a).
 - i) Audit steps taken:
 - (1) Reviewed documents to confirm required material facts were located on the evidence of insurance.
- 10) Review disclosures for use of non-admitted insurer.
 - i) Audit steps taken:
 - (1) Reviewed the evidence of insurance to ensure the broker's name and language required by statute AS 21.34.100(e) is present and legible.
- 11) Review notifications for use of non-admitted insurer.
 - i) Audit steps taken:
 - (1) Reviewed the correspondence and other documentation in the files to find a copy of the notification sent to the insured that meets the requirement in AS 21.34.110
- 12) Confirm coverage is placed with an eligible non-admitted insurer.
 - i) Audit steps taken:
 - (1) Reviewed the Alaska published white lists and NAIC Quarterly Listings of Alien Insurers to ensure the company was eligible at the time of placement.
- 13) Review notice regarding nonrenewal and premium increase
 - i) Audit steps taken:
 - (1) Verified in each file effective starting 9/4/2014, there was an Alaska Policyholder Notice regarding nonrenewal and premium increase included with the policy.
- 14) Other issues not previously identified as a procedure step were included when not in compliance with Alaska laws.
 - i) Audit steps taken:
 - (1) Reviewed documents to ensure other surplus lines statutes and regulations requirements were met.

Acceptable Error Rate:

The Broker's acceptable error rate for the above referenced standards and tests must be less than 10%.

PREMIUM TAX AUDIT

- | | |
|---|---|
| 1. Verify that quarterly reports and accompanying forms were filed on time | AS 21.34.080 and .170, 3 AAC 25.090 and .100 |
|---|---|

Comments: The eight quarterly reports with accompanying forms were filed on time.

Results: Passed (error rate 0%)

- | | |
|--|---------------------|
| 2. Verify the accuracy of the premium calculation | AS 21.34.180 |
|--|---------------------|

Comments: The premium was calculated correctly for all policies in the audit files.

Results: Passed (error rate 0%)

- | | |
|--|---|
| 3. Verify the accuracy of all quarterly reports filed | AS 21.34.080 and .170, 3 AAC 25.090 and .100 |
|--|---|

Comments: Multiple errors were noted on the Report of Surplus Lines Transaction forms and Quarterly Reports filed with the division:

- Producer name or license number incorrect. The division could not determine which was accurate when both were active – 5; this is the first time this issue was identified during a premium tax audit.
- One policy had multi-state risks but the other locations were not identified in the report
- One policy was a subscription policy but only one of the insurers was listed as taking 100% of the risk. This is the third time this issue has been identified in an audit.

Total accuracy errors: 7 within 7 distinct files

Results: Failed (43 files passed & 7 failed, error rate 14%)

Recommendations: It is recommended the broker revise written procedures to ensure all subscription policies are appropriately reported. The procedures should also include the requirement all locations of risk be identified in the report filed. The broker's internal records need to be corrected to reflect accurate producer names and license numbers. The Division should not have to contact the broker to find out who the correct producer is.

Broker's response: We have updated our procedures to avoid these issues going forward.

- | | |
|---|---------------------|
| 4. Verify the home state for insured is Alaska | AS 21.34.180 |
|---|---------------------|

Comments: The broker writes some multi-state policies. All policies were correctly identified with Alaska as the home state of the insured.

Results: Passed (error rate 0%)

5. Verify if tax and filing fee payments were made on time and by ACH
AS 21.34.180, 3 AAC 21.550 - .570

Comments: All payments were made on or before the required due date for the quarterly payments and made by ACH.

Results: Passed (error rate 0%)

6. Verify tax and filing fees payments were made accurately
AS 21.34.180, 3 AAC 21.550 - .570

Comments: All tax and fee payments made by the broker were accurate based upon the quarterly reports as filed.

Results: Passed (error rate 0%)

7. Review diligent search effort made to place insured with an admitted insurer
AS 21.34.020, 3 AAC 25.010 and .035

Comments: The broker requires the use of the Affidavit of Due Diligent to document the diligent search. Documentation in the files shows it was received prior to binding for all audit files.

Results: Passed (error rate 0%)

8. Review prompt delivery of evidence of insurance
AS 21.34.100(a) and 3 AAC 25.060

Comments: Evidence of insurance was provided to the insured via the producer within 30 days of binding in all cases.

Results: Passed (error rate 0%)

9. Review required material facts located on evidence of insurance
AS 21.34.100(a)

Comments: Required material facts were on all evidence of insurance.

Results: Passed (error rate 0%)

10. Review disclosures on evidence of insurance for use of non-admitted insurer
AS 21.34.100(e)

Comments: All evidence of insurance within the audit files included the statutory language required in quotes.

Results: Passed (error rate 0%)

11. Review notification for use of non-admitted insurer

AS 21.34.110

Comments: The notification the insurance is being placed with a company that is not regulated by the Alaska Division of Insurance, does not have a certificate of authority and in the event of insolvency losses will not be covered by the Alaska Insurance Guaranty Association Act is located on all quotes in the audit files.

Results: Passed (error rate 0%)

12. Confirm coverage is placed with an eligible non-admitted insurer

AS 21.34.050

Comments: All policies in the audit were placed with eligible surplus lines companies.

Results: Passed (error rate 0%)

13. Review notice regarding nonrenewal and premium increase

3 AAC 25.050

Comments: Each audit file policy accurately included the Alaska Policyholder Notice of nonrenewal and premium increase.

Results: Passed (error rate 0%)

SUMMARY AND SUBSEQUENT EVENTS

Summary

This was a premium tax audit of Worldwide Facilities LLC. The auditor tested 13 standards focusing on the broker's filing of quarterly reports and the subsequent payment of premium taxes and filing fees as well as diligent search efforts, disclosure and notification requirements for using a non-admitted insurer, and prompt delivery of material facts to insured.

The audit was conducted in the auditor's office as she received electronic versions of the broker's files under audit. The broker responded quickly to all requests for additional information. The auditor appreciated this behavior.

One issue arose during the audit that affects compliance with Alaska statutes and regulations.

- 1) Several quarterly reports were not accurate when filed causing the Division significant amounts of extra time to confirm information.

The auditor would like to review any new or revised procedures to help the broker ensure the problems identified in the audit were captured accurately.

Observation: the broker is making definite improvements in the overall surplus lines arena related to Alaska policies.

Re-Audit

In closing, the auditor's recommended actions and review of the procedures should help the broker correct the problems encountered. It is recommended that Worldwide Facilities LLC be re-audited within the next three years to ascertain compliance.

Submitted by:
Rebecca Nesheim
Tax Auditor

Affidavit

Worldwide Facilities LLC
As of December 31, 2015
TA 16-02

Juneau, Alaska)
November 4, 2016)
State of Alaska) ss.
First Judicial District)

I, being duly sworn, do verify that the report of premium tax audit as of December 31, 2015 of Worldwide Facilities LLC is true to the best of my knowledge and belief.


Rebecca Nesheim
Tax Auditor

SUBSCRIBED and SWORN to before me this 7th day of November, 2016




Notary Public in and for Alaska

My Commission Expires off. cc