



THE STATE OF FLORIDA
OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

TARGET MARKET CONDUCT
FINAL REPORT OF EXAMINATION

Infinity Auto Insurance Company (NAIC # 11738)
Infinity Indemnity Insurance Company (NAIC # 10061)
Infinity Assurance Insurance Company (NAIC #39497)

ISSUED

April 12, 2016

NAIC Group # 3495

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EXECUTIVE SUMMARY

A target market conduct examination of Infinity Auto Insurance Company, Infinity Indemnity Insurance Company and Infinity Assurance Insurance Company (Company) relating to private passenger automobile coverage was performed to determine compliance with Florida Statutes and the Florida Administrative Code. This examination combined the three Companies into one group for the purpose of this report.

The following table represents general findings, however, specific details are found in each section of the report.

<u>TABLE OF TOTAL VIOLATIONS</u>			
Statute/Rule	Description	Files Reviewed	Number of Violations
627.4091(2), F.S.	Failure to provide the specific underwriting reason for nonrenewal - Non-Renewals Review	108	16
627.728(4), F.S.	Failure to provide the expiration date on the nonrenewal notice - Non-Renewals Review	108	3
627.728(4)(a), F.S.	Failure to provide 45 days advance notice of its intent not to renew - Non-Renewals Review	108	7
627.728(5) F.S. and 69O-167.010, F.A.C	Failure to provide proof of mailing for nonrenewal notices - Non-Renewals Review	108	4
627.728(5), F.S. and 69O-167.010, F.A.C.	Failure to provide proof of mailing for cancellation notices - Cancellations Review	299	8
69O-167.002, F.A.C.	Failure to report rescinded policies - Rescissions Review	107	107
627.4085, F.S.	Failure to include agent license number on applications - Rescissions Review	107	75
624.318, F.S.	Failure to maintain complete applications - Rescissions Review	107	29
627.0651(1), F.S.	Failure to follow filed rates; improperly rated policies resulting in an undercharge to insureds from 04/19/2010 to 05/31/2010 for new business and 06/03/2010 to 07/15/2010 for renewal business - Rating Review	136	16,528
624.318, F.S. 626.748, F.S.	Failure to maintain complete applications - Rating Review	136	24
627.744(1), F.S.	Failure to provide a pre-insurance inspection report - Rating Review	60	4
626.9541(1)(i)3 c., F.S. and 69O-166.024, F.A.C.	Failure to take timely action from the date of receipt of medical billing with such frequency as to indicate a general business practice of failing to acknowledge and act promptly upon communications with respect to claims - Medical Payment Claims	25	12

626.877, F.S. and 690-166.024(1), F.A.C.	Failure to timely communicate and pay claim in accordance with the applicable laws of this state by taking no action within 14 days from the date of demand - Property Damage Claims	50	1
627.7401(2), F.S.	Failure to timely mail or deliver notices for personal injury protection benefits within 21 days after receiving from the insured notice of an automobile accident or claim involving personal injury - Personal Injury Protection (PIP) Claims	50	11
627.736(4)(b),(g) and (11)(a), F.S.	Failure to timely pay personal injury protection benefits within 30 days after being furnished written notice of the fact and amount of a covered loss with such frequency so as to indicate a general business practice- Personal Injury Protection (PIP) Claims	50	12
626.877, F.S	Failure to investigate and adjust claim in accordance with the terms and conditions of the contract and the applicable laws of this state; failing to timely pay a total loss claim. - Total Loss Claims	50	1
626.9743(8), F.S.	Failure to provide notice within 72 hours for the insured to remove the vehicle from storage before terminating payment of the storage charges-Total Loss Claims	50	1
626.451(1) and 626.112(1)(a) & 2, F.S.	Failure to ensure that agents were licensed in the State of Florida or appointed by the Company - Producer Licensing	136	5

PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination was conducted of the Company by INS Insurance Regulatory Services, Inc. The scope of this examination was January 1, 2010 through December 31, 2012. The examination began January 13, 2014 and ended June 27, 2014. There were subsequent communications with the Company for clarifications related to the findings.

The purpose of this examination was to review Company operations and compliance with Florida law relating to private passenger automobile coverage including, but not limited to, the following categories: operations and management, complaint handling, underwriting including cancellations and rescissions, rating, claims including valuation of third party bodily injury liability claims, forms and producer licensing.

The examination included the following procedures:

- **Operations and Management Review** - (History and Profile, Third Party Vendors, Internal Audits and Compliance Procedures, Market Conduct Reports and Fines, Licensed for Line of Business and Annual Statements) Sections 624.315, 624.316, 624.3161, 624.311 and 624.318, Florida Statutes.
- **Complaint Handling Review** - (Complaint Handling Policies and Procedures, Consumer Complaints and Department of Financial Services Complaints) Section 626.9541(1)(j), Florida Statutes.
- **Underwriting Review** - (Underwriting Policies and Procedures, Non-Renewals, Cancellations, Declinations and Rescissions) Sections 624.318, 626.451, 626.752, 626.9702,

627.409, 627.4085, 627.4091, 627.7275, 627.728, 627.7282, 627.7283, and 627.7295, Florida Statutes, and Rules 69O-175.008, 69O-167.002 and 69O-167.010, Florida Administrative Code.

- **Rating Review** - (Rating Policies and Procedures, New Business without Surcharges, New Business with Surcharges, Renewals without Surcharges and Renewals with Surcharges) Sections 626.9641, 626.9701, 626.9702, 626.9741, 627.062, 627.318, 627.744, 627.409, 627.421, 627.727, 627.0651, 627.4143, 627.4085, 627.0665, 627.7275, and 627.4091, Florida Statutes and Rules 69O-175.008 and 69O-167.002, Florida Administrative Code.
- **Claims Review** - (Claim Policies and Procedures, Bodily Injury Claims, Medical Payment Claims, OTC Comprehensive Claims, Property Damage Claims, Personal Injury Protection Claims, Rental Reimbursement Claims, Uninsured Motorist Bodily Injury Claims, Total Loss Claims) Sections 626.877, 626.9743, 626.9541, 627.4137, 627.4265, 627.727, 627.7288, 627.736, 627.7401 and 627.743, Florida Statutes and Rules 69O-166.024 and 69O-166.025, Florida Administrative Code.
- **Producer Licensing Review**- Sections 626.451 and 626.112, Florida Statutes.

The Companies records were examined at its office located at 11700 Great Oaks Way, Suite 450, Alpharetta, GA 30022. In reviewing materials for this report, the examiners relied on records provided by the Companies.

This Final Report is based upon information from the examiner's draft report, additional 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).

Sample sizes were determined using the Acceptance Samples Table of the NAIC Market Regulation Handbook or by the Audit Command Language (ACL) software. Two acceptable methods were used during the examination. For populations less than 50,000 the Acceptance Samples Table was used, and for populations 50,000 and over, ACL was used. Utilizing ACL to determine the sample sizes, there was a Confidence Level of 95%, an Upper Error Limit of 5% and an Expected Error Rate of 2%.

COMPANY OPERATIONS AND MANAGEMENT

I. HISTORY & PROFILE

The Companies all write Private Passenger Automobile (PPA) insurance in Florida. Additionally, Infinity Auto Insurance Company writes Commercial Vehicle (CV) insurance, which was not included in this examination. The Companies' products are primarily distributed through a network of independent agents and agencies.

<u>Company</u>	<u>Date of FL COA</u>	<u>State of Domicile</u>
Infinity Auto Insurance Company	November 21, 1979	Ohio
Infinity Indemnity Company	May 11, 1995	Indiana
Infinity Assurance Insurance Company	November, 30, 1989	Ohio

The combined Direct Written Premiums for the Companies:

<u>Year</u>	<u>Florida</u>	<u>Total</u>
2010	\$ 163,751,705	\$ 283,840,889
2011	\$ 204,735,424	\$ 328,054,826
2012	\$ 341,233,744	\$ 456,119,141

Direct Written Premium by Company in Florida:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Infinity Auto Insurance Company	\$ 120,529,383	\$ 136,239,440	\$ 221,829,837
Infinity Indemnity Insurance Company	\$ 30,769,891	\$ 40,428,863	\$ 71,407,833
Infinity Assurance Insurance Company	\$ 12,452,431	\$ 28,067,121	\$ 47,996,074

II. THIRD PARTY VENDORS

A list of third-party vendors used in underwriting, rating and claim processing was reviewed. No exceptions were found.

III. INTERNAL AUDITS & COMPLIANCE PROCEDURES

The Company stated that two internal audits occurred during the scope of the exam; an underwriting audit dated October 19, 2011 and a claims audit dated February 21, 2012. The Company also provided the following audit information specific to claims and the use of vendor injury claim valuation software.

Claim managers conduct audits of adjuster files with a quota of 5-7 files per quarter, per adjuster. The manager's audits are then audited by the manager's supervisor. There is a third level of audits by the Operations Audit Group.

A review of the adjuster's input into the injury valuation software is conducted by coordinators to determine if the adjuster correctly entered information and to take into account items that the software does not consider, such as scarring. The Company provided an audit report relating to the coordinator's review of software evaluations after the adjuster completes an evaluation. These reviews occur prior to management approval of the settlement value.

COMPLAINT HANDLING

I. COMPLAINT HANDLING POLICIES AND PROCEDURES

The Company complaint policies and procedures were reviewed for compliance with Section 626.9541(1)(j), Florida Statutes. No exceptions were noted.

II. CONSUMER COMPLAINTS

A sample of 52 complaints received directly from consumers or the Better Business Bureau (BBB) was reviewed. The files were reviewed for compliance with Section 626.9541(1)(j), Florida Statutes. No exceptions were noted.

III. DEPARTMENT OF FINANCIAL SERVICES (DFS) COMPLAINTS

A sample of 585 files consisting of all complaints the Company received from the Department of Financial Services (DFS) was compared to a separate list of complaints obtained from DFS. The files were reviewed for compliance with Section 626.9541(1)(j), Florida Statutes. No exceptions were noted.

UNDERWRITING

I. UNDERWRITING POLICIES & PROCEDURES

The Company underwriting policies and procedures were reviewed for compliance with Sections 624.318, 626.9702, 627.4091, 627.7275, 627.728, 627.7282, 627.7283, and 627.7295 of the Florida Statutes and Rules, 69O-175.008 & 69O-167.010 of the Florida Administrative Code. No exceptions were noted.

II. NONRENEWALS

From a list of all private passenger automobile policies nonrenewed during the examination scope period a random sample of 108 files was reviewed. The following exceptions were noted:

1. **In 16 instances, the Company failed to provide the specific reason for nonrenewal, in violation of Section 627.4091(2), Florida Statutes.**

The Office recommends the Company implement procedures to ensure that the specific reason(s) accompany nonrenewal notices.

COMPANY RESPONSE: The Company agreed with this finding and proactively indicated that system and procedural changes will be made to ensure compliance.

2. **In 3 instances, the Company failed to provide the expiration date on the nonrenewal notice, in violation of Section 627.728(4), Florida Statutes.**

The Office recommends the Company implement procedures to ensure that the expiration date is provided on all nonrenewal notices.

COMPANY RESPONSE: The Company agreed and indicated changes were made eliminating future occurrences of these exceptions.

3. **In 7 instances, the Company failed to provide 45 days advance notice of its intent not to renew, in violation of Section 627.728(4)(a), Florida Statutes.**

The Office recommends the Company implement procedures to ensure that all nonrenewal notices are sent at least 45 days in advance of the expiration date.

COMPANY RESPONSE: The Company agreed with this finding and proactively indicated that system and procedural changes will be made to ensure compliance.

4. **In 4 instances, the Company failed to provide proof of mailing for nonrenewal notices, in violation of Section 627.728(5), Florida Statutes, and Rule 690-167.010, Florida Administrative Code.**

The Office recommends the Company implement procedures to ensure that the proof of mailing is maintained for nonrenewal notices as required by law.

COMPANY RESPONSE: The Company agreed with this finding and proactively indicated it will revise its proof of mailing processes to ensure all proof of mailings are maintained and easily accessible.

III. CANCELLATIONS

A random sample of 299 files was reviewed for compliance with Sections 627.318, 626.9702, 627.4091, 627.7275, 627.728, 627.7282 627.7283 and 627.7295, Florida Statutes and Rules 69O-175.008 and 69O-167.010, Florida Administrative Code. The following exceptions were noted:

1. **In 8 instances, the Company failed to provide proof of mailing for cancellation notices, in violation of Section 627.728(5), Florida Statutes, and Rule 69O-167.010, Florida Administrative Code.**

The Office recommends the Company implement procedures to ensure that proof of mailing is maintained for cancellation notices required by law.

COMPANY RESPONSE: The Company agreed with this finding and proactively indicated it will revise its proof of mailing processes to ensure all proof of mailings are maintained and easily accessible.

IV. DECLINATIONS

The Company was requested to provide declinations but advised that there were none. No exceptions were noted.

V. RESCISSIONS

A random sample of 107 rescinded policies was reviewed for compliance with Sections 627.409, 627.728, 624.318, and 627.4085, Florida Statutes, and Rule 69O-167.002, Florida Administrative Code. The following exceptions were noted:

1. **The Company failed to report all 107 rescinded policies to the Office within 90 days of taking such action, in violation of Rule 69O-167.002, Florida Administrative Code.**

COMPANY RESPONSE: The Company agreed with this finding and in January 2014, began reporting rescissions to the Office.

2. **The Florida agent license number was missing on 75 applications in violation of Section 627.4085, Florida Statutes.**

The Office recommends the Company implement procedures to ensure that agents' Florida license numbers are included on all applications.

COMPANY RESPONSE: The Company agreed with the finding and indicated producers will be reminded of the requirement through additional training and communication.

3. **Twenty-nine applications were incomplete, lacking agent signatures, dates or acknowledgements as required in the Company's Florida Agent Rule Guide, which indicates the following must be completed before coverage can be bound, "The application and all applicable forms are completed in full, signed (not stamped) by the agent and the applicant," in violation of Section 624.318, Florida Statutes.**

The Office recommends the Company implement procedures to ensure that complete applications are obtained and maintained in compliance with its *Agent Rule Guide* and maintenance of records.

COMPANY RESPONSE: The Company acknowledged lapses in its application process but indicated that in most instances the signatures were electronic and that the missing information did not invalidate the applications.

OFFICE COMMENTS ON THE COMPANY RESPONSE: The Office did not suggest that the missing information invalidated each application; rather, that the Company had failed to follow its own Florida Agent Rule Guide. The Office recommends the Company document its processes to authenticate electronic signatures of both agents and applicants.

RATING

I. RATING POLICIES AND PROCEDURES

The Company underwriting policies and procedures were reviewed for compliance with Sections 626.9641, 626.9701, 626.9702, 626.9741, 627.062, 627.318, 627.744, 627.409, 627.421, 627.727, 627.0651, 627.4143, 627.4085, 627.0665, 627.7275 and 627.4091, Florida Statutes, and Rules 69O-175.008 and 69O-167.002, Florida Administrative Code.

From a list of all private passenger new and renewal automobile policies a random sample of 136 files was reviewed. The following exceptions were noted:

1. **Based on sample findings and subsequent Company reporting, in 16,528 instances the Company failed to follow its filed rates and improperly rated policies resulting in an undercharge to insureds from April 19, 2010 to May 31, 2010 for new business, and from June 3, 2010 to July 15, 2010 for renewal business, in violation of Section 627.0651(1), Florida Statutes.** There was no apparent consumer harm to the undercharged policyholders.

The Office recommends the Company implement a procedure to ensure that filed and approved rates are used in the development of the policy premium.

COMPANY RESPONSE: The Company agreed with this finding for Infinity Auto Insurance Company (14,793 policies affected) and Infinity Assurance Insurance Company (1,735 policies affected).

2. **In 24 instances, the Company failed to maintain complete applications, in violation of Sections 624.318 and 626.748, Florida Statutes.**

The Office recommends the Company maintain complete, signed, applications or have its agent do so per its Records Maintenance Agreement.

3. **In 4 instances, the Company failed to document pre-insurance inspection reports, in violation of Section 627.744(1), Florida Statutes.**

The Office recommends the Company implement procedures to ensure that pre-insurance inspections are completed.

COMPANY RESPONSE: The Company agreed with this finding.

CLAIMS

I. CLAIM POLICIES AND PROCEDURES

The Company claim policies and procedures were reviewed for compliance with various Sections of the Florida Statutes and Rules of the Florida Administrative Code as noted in the following claim sections.

II. BODILY INJURY LIABILITY CLAIMS

A random sample of 25 claim files was reviewed for compliance with Sections 624.318, 626.9541, 626.877, and 627.4137, Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. No exceptions were noted.

III. COLLISION CLAIMS

A random sample of 50 claim files was reviewed for compliance with Sections 624.318, 626.9541, 626.877, 626.9743, 627.743, 627.4137, Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. No exceptions were noted.

IV. MEDICAL PAYMENT CLAIMS

A random sample of 25 claim files was reviewed for compliance with Sections 624.318, 626.877, 626.9743, 626.9541, 627.4137, and 627.736, Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. The following exceptions were noted:

- 1) In 12 instances, the Company failed to take timely action from the date of receipt of medical billing with such frequency as to indicate a general business practice of failing to acknowledge and act promptly upon communications with respect to claims, in violation of Sections 626.9541(1)(i)3.c., Florida Statutes, and Rule 69O-166.024(1), Florida Administrative Code.

The Office recommends the Company implement procedures to ensure timely acknowledgement and investigation of medical payment claims.

COMPANY RESPONSE: The Company agrees with the Office's recommendation to implement procedures to ensure the timely acknowledgement of medical payment claims pursuant to Rule 69O-166.024(1), Florida Administrative Code.

V. OTHER THAN COLLISION (OTC), COMPREHENSIVE CLAIMS

A random sample of 50 claim files was reviewed for compliance with Sections 624.318, 626.9541, 626.877, 626.9743, 627.743, 627.4137, and 627.7288, Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. No exceptions were noted.

VI. PROPERTY DAMAGE CLAIMS

A random sample of 50 claim files was reviewed for compliance with Sections 624.318, 627.4137, 626.9743, 626.877, and 626.9541, Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. The following exceptions were noted:

1. In 1 instance, the Company failed to timely acknowledge or pay a claim in accordance with the terms and conditions of the contract and of the applicable laws of

this state by taking no action within 14 days from the date of a subrogation demand, in violation of Section 626.877, Florida Statutes, and Rule 69O-166.024(1), Florida Administrative Code.

The Office recommends the Company review its procedures to ensure timely acknowledgement and payment of claims.

COMPANY RESPONSE: The Company agreed with this finding.

VII. PERSONAL INJURY PROTECTION (PIP) CLAIMS

A random sample of 50 claim files was reviewed for compliance with Sections 624.318, 626.9541, 626.877, 627.7401, 627.736, and 627.4137, Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. The following exceptions were noted:

1. **In 11 instances, the Company failed to timely mail or deliver notices for personal injury protection benefits within 21 days after receiving from the insured notice of an automobile accident or claim involving personal injury with such frequency as to indicate a general business practice, in violation of Section 627.7401(2), Florida Statutes.**

The Office recommends the Company implement procedures to ensure timely delivery of notices to insureds regarding personal injury protection benefits.

COMPANY RESPONSE: The Company disagreed with this finding, indicating that sometimes adjusters provide this information but fail to document the system.

2. **In 12 instances, the Company failed to timely pay personal injury protection benefits within 30 days after being furnished written notice of the fact and amount of a covered loss with such frequency as to indicate a general business practice, in violation of Section 627.736(4)(b)&(g) and (11)(a), Florida Statutes.**

The Office recommends the Company implement procedures to ensure timely investigation and payment of personal injury protection benefits.

COMPANY RESPONSE: The Company agreed with 3 findings and disagreed with the others, indicating there were disputes and that the statutes permitted the provider to sue for recovery. All 12 claims were ultimately paid.

OFFICE COMMENTS ON THE COMPANY RESPONSE: The Company response did not include documentation that supported the 9 findings to which they disagreed.

VIII. RENTAL REIMBURSEMENT CLAIMS

A random sample of 25 claim files was reviewed for compliance with Sections 624.318, 626.877, 626.9541 and 627.4137, Florida Statutes, and Rule 69O-166.024 Florida Administrative Code. No exceptions were noted.

IX. UNINSURED MOTORIST BODILY INJURY CLAIMS

A random sample of 15 claim files was reviewed for compliance with Sections 624.318, 626.9541, 626.877, 627.4137, and 627.727, Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. No exceptions were noted.

X. TOTAL LOSS CLAIMS

A random sample of 50 claim files was reviewed for compliance with Sections 624.318, 626.877, 626.9743, 627.743, 627.4265, 627.4137, and 626.9541 Florida Statutes, and Rule 69O-166.024, Florida Administrative Code. The following exceptions were noted:

1. **In 1 instance, the Company failed to investigate the claim in accordance with the applicable laws of this state by failing to timely pay a total loss claim, in violation of Section 626.877, Florida Statutes.**

The Office recommends the Company review its procedures to ensure the timely payment of claims.

COMPANY RESPONSE: The Company agreed with this finding.

2. **In 1 instance, the Company failed to provide notice within 72 hours for the insured to remove the vehicle from storage before terminating payment of the storage charges, in violation of Section 626.9743 (8), Florida Statutes.**

The Office recommends the Company implement or review procedures to ensure proper notice is given to the insured regarding termination of payment for storage charges.

COMPANY RESPONSE: The Company disagreed with this finding, maintaining its September 14, 2012 letter to the insured indicating they would no longer be responsible for storage charges, was not intended to be a voluntary extension of coverage.

OFFICE COMMENTS ON THE COMPANY RESPONSE: The storage termination letter was sent to insured on September 14, 2012, the same day that payment for storage charges was stopped.

XI. USE OF VENDOR SOFTWARE IN EVALUATING BODILY INJURY CLAIMS

Per the Company, the Company utilizes injury valuation software provided by a program vendor as a tool in resolving some third-party bodily injury liability claims. The adjuster is to enter detailed information about the claim into the program software which measures an injury in trauma or severity points. These points are converted in the process to dollars. The program provides recommendations for: "*General Damages Up To*"; "*Gross Settlement Range Up To*" (full settlement value including general damages and specials); and, "*Final Settlement Range Up To*" (settlement value after any adjustments for contributory negligence). The *Gross* and *Final* settlement outputs are not calculated with severity points; rather, are designed to use special damages and adjustments as add-ons.

The Company established 4 Florida economic regions in March 2010, purportedly to provide more granular segmentation in establishing equitable settlement ranges. The Company maintains and the exam findings support that the use of this program software is only one tool that may be considered to evaluate bodily injury claims.

Tuning, defined as "the uploading of a new claims history for each economic region and recalibrating future recommended settlement ranges based upon the newly uploaded claims history", was reviewed within each 24 month period.

A random sample of 50 paid claim files was reviewed from a population of all paid third-party bodily injury liability claims that utilized valuation software provided by a program vendor. While no exceptions were noted, 22 claim files were initially missing injury valuation

documentation. The Company subsequently furnished the documentation and indicated they would implement procedures to include all applicable injury valuation documentation in the claim file.

PRODUCER LICENSING

A random sample of 136 files was reviewed for compliance with Sections 626.451 and 626.112, Florida Statutes. The following exceptions were noted:

1. **In 5 instances, the Company failed to ensure that agents writing and servicing private passenger automobile business for the Company were properly appointed by the Company or licensed in the State of Florida a violation of Sections 626.451(1) and 626.112 (1)(a) and (2), Florida Statutes.**

The Office recommends the Company implement procedures to ensure that all agents appointed by the Company to transact insurance in Florida or with Florida residents are licensed in the State of Florida.

COMPANY RESPONSE: The Company agreed with this finding.

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.