

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

ARIES INSURANCE COMPANY
(ONYX INSURANCE GROUP, INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

DATE FILED: 3/05/02

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I. INTRODUCTION

Aries Insurance Company is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination, January 1998 through December 2000. The examination began February 18, 2001 and ended June 2, 2001. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded April 21, 1995.

The purpose of this target examination was to ascertain compliance with the Florida Insurance Code and to review consumer complaints.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1998 through December 2000, 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 of this examination, \$8,357.61 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

II. PRE-EXAM REVIEW OF COMPANY 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. Exam Findings

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. COMPANY OPERATIONS/MANAGEMENT

A. PROFILE

Aries Insurance Company, formerly known as the Orion Insurance Company, was formed in late 1983 and began writing business in 1984. In 2000, American Skyhawk Insurance Company domesticated in Florida and Green Tree Insurance Company domesticated in Pennsylvania. All of the Onyx Insurance Group, Inc., merged into Aries Insurance Company.

The Company's website can be accessed at www.onyxgrp.com.

The Company's marketing approach has been to concentrate on specialty commercial and personal lines products in this state.

Business is produced through Onyx Underwriters, Inc., a subsidiary of the Onyx Insurance Group, Inc. Onyx Underwriters, Inc., is a licensed MGA producing business under the Exchange of Business Statute. Some of the workers' compensation business is also produced through a general agent (agency), Professional Insurance Underwriters.

All claims are handled by Gamma Adjusters, Inc., a subsidiary of the Onyx Insurance Group, Inc., unless the claim occurs in an area that the Company does not have a service office. The Company maintains claim offices in South Miami, North Miami, South Broward, Coral Springs, North Broward, Palm Beach County and Tampa, Florida. Independent adjusters are used in all areas where Gamma Adjusters, Inc., has no office.

The Company's home office is located at 560 N.W. 165 Street Road, Miami, Florida 33169-6310.

B. MANAGEMENT

1. Company Computer System

The Company's Computer Center consists of four systems; IBM AS400, Unix Box Digital, Novel Network, and Microsoft NT Server. Only authorized personnel have access to the systems. Hardware and software has been installed that allows employees and producing agents to access the system and interact with the Company's database. The software program also performs many underwriting functions.

2. Anti-Fraud Plan

Aries Insurance Company entered into a contract and agreement with Special Investigation Group, Inc., effective July 31, 1998, which automatically renews annually to meet the requirements set forth in the Company's Anti-Fraud Plan. The Company's Anti-Fraud Plan is on file with the Department of Insurance, Division of Fraud.

3. Disaster Recovery Plan

The Disaster Recovery Plan documents the strategies, personnel, procedures and resources that the Company will use to respond to any long-term interruptions to its essential business functions.

The Plan highlights and coordinates the main issues and steps to be taken if a disaster impacts any of the Company's service centers.

B. OPERATIONS

The Company operates throughout the State of Florida but primarily in South Florida. The principal operation is as a specialty market provider of property and casualty products to “niche” markets through independent insurance agents. Overall, the Company’s focus is to develop a portfolio of short-tail standard liability and property coverage generally written at lower limits. The principal products are commercial package policies, workers’ compensation and private passenger automobile policies.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Aries Insurance Company independently files rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

Aries Insurance Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

National Association Of Independent Insurers (NAII) 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>
1998	\$ 61,427,641	423,573
1999	\$ 64,691,144	490,336
2000	\$ 81,713,513	410,667

These are combined numbers from Aries Insurance Company and American Skyhawk Insurance Company as the two companies merged into one company in 2000.

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

B. COMMERCIAL AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Aries Insurance Company is a subscriber of Insurance Service Office (ISO) and as such ISO is authorized to file rules/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

Aries Insurance Company is a subscriber of Insurance Services Office (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>
1998	\$ 6,860,008	21,026
1999	\$ 7,042,516	24,126
2000	\$ 10,808,191	34,332

These are combined numbers from Aries Insurance Company and American Skyhawk Insurance Company as the two companies merged into one company in 2000.

3. Exam Findings

Twenty-five (25) policy files were examined.

Forty-nine (49) errors were found.

Errors affecting premium resulted in twenty-five (25) undercharges totaling \$375.00.

The errors are described as follows:

1. Twenty-five (25) errors were due to failure to follow the ISO Commercial Lines Manual, Division 5, Rule 97 B. This constitutes a violation of Section 627.062, Florida Statutes. This Rule prohibits the application of debits/credits to Uninsured Motorist Coverage. These errors resulted in undercharges totaling \$375.00.
2. Twenty-four (24) errors were due to failure to document subjective debits/credits. This constitutes a violation of Rule 4-170.004, Florida Administration Code. The Company disagrees with these errors stating that documentation is not required, but was advised that the errors stand.

C. COMMERCIAL MULTI-PERIL

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Aries Insurance Company is a subscriber of Insurance Services Office (ISO) and as such ISO is authorized to file rules/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

Aries Insurance Company is a subscriber of Insurance Services Office (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>
1998	\$ 6,265,105	3,474
1999	\$ 7,121,782	3,862
2000	\$ 8,951,141	4,262

3. Exam Findings

Twenty-five (25) policy files were examined.

No errors were found.

D. WORKERS' COMPENSATION

1. Application of Rules, Rates and Forms

a. General Comments

Aries 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>
1998	\$ 11,015,249	3,612
1999	\$ 9,822,125	2,962
2000	\$ 10,149,294	2,821

b. Error Percentages

Fifty-four (54) policies and audits were examined.

Three (3) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Three (3) errors were due to failure to perform policy audits timely. This constitutes a violation of Section 627.191, Florida Statutes.

2. Unit Statistical Review

The review of statistical cards is for the purpose of verifying that premium and claim statistics are properly reported to the NCCI. Workers' Compensation statistics are utilized in the rate making process when rate filings are presented to the Department of Insurance for consideration, as well as, in the development of experience modification factors on individual risks.

- a. Audit Comparison

Thirty-two (32) premium statistical cards were examined.

Two (2) errors were found.

Errors affecting statistical reporting resulted in two (2) underreports totaling \$85,633.00.

The errors are broken down as follows:

1. Two (2) errors were due to failure to properly report exposure and premium on the unit statistical cards. This constitutes a violation of Section 627.191, Florida Statutes.

b. Claim Comparison

Ten (10) claim statistical cards were examined.

No errors were found.

V. AGENTS/MGA REVIEW

Twenty-one (21) applications/policies written during the scope of examination were examined.

Three (3) errors were found.

None of the errors affected policy fees.

The errors are broken down as follows:

1. Two (2) errors were due to failure to require the agent to sign the application and display his license number on the application. This constitutes a violation of Section 627.4085, Florida Statutes.
2. One (1) error was due to use of an unlicensed agent. This constitutes a violation of Section 626.112, Florida Statutes.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Ten (10) errors were found.

Four (4) errors resulted in underreturns totaling \$101.46.

The errors are broken down as follows:

1. Two (2) errors were due to failure to give the specific reason for cancellation/nonrenewal. This constitutes a violation of Section 627.4091, Florida Statutes. The Company disagrees and states that the reason given (Loss Frequency/Loss Experience) was sufficient. The Department's position is that the Company should list the losses and dates of the losses in which the decision to cancel/nonrenew was based.
2. Four (4) errors were due to failure to return unearned premiums within 30 days. This constitutes a violation of Section 627.7283, Florida Statutes. The Company was instructed to recalculate the return premium and pay 8% interest as required. These errors resulted in underreturns totaling \$101.46, which have been refunded by the Company.
3. Four (4) errors were due to failure to provided timely notice of cancellation/nonrenewal. This constitutes a violation of Section 627.728, Florida Statutes.

VII. CLAIMS REVIEW

Fifty (50) claims were examined.

Four (4) errors were found.

Three (3) errors resulted in underpayments totaling \$474.20.

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

The errors are broken down as follows:

1. One (1) error was due to failure to advise the insured of the Loss of Use coverage in the event of a theft of the insured vehicle. This constitutes a violation of Rule 4-166.023, Florida Administrative Code. This error resulted in an underpayment totaling \$300.00, which has been refunded by the Company.
2. One (1) error was due to failure to surrender the vehicle title of a total loss to the Department of Highway Safety and Motor Vehicle as required. This constitutes a violation of Section 319.30, Florida Statutes.
3. Two (2) errors were due to failure to pay the claim within 20 days of settlement as required. This constitutes a violation of Section 627.4265, Florida Statutes. These errors resulted in underpayments totaling \$174.20, which have been refunded by the Company.

VIII. 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.

A. DOI REFERRALS

Ninety-three (93) consumer complaints received from the Department of Insurance during the scope of examination were reviewed.

Twenty-five (25) errors were found.

These errors resulted in underpayments and interest payments totaling \$7,399.52.

The errors are described as follows:

1. Thirteen (13) errors were due to failure to respond timely to the Florida Department of Insurance. This constitutes a violation of Rule 4-166.025, Florida Administrative Code.
2. One (1) error was due to failure to respond to a request for disclosure within 30 days as required. This constitutes a violation of Section 627.4137, Florida Statutes.
3. Five (5) errors were due to delays in claim handling. This constitutes a violation of Section 626.9541, Florida Statutes.

4. Three (3) errors were due to failure to make claim payments within 20 days of settlement. This constitutes a violation of Section 627.4265, Florida Statutes. The amount of the underpayments was \$7,399.52, which have been paid by the Company. Some payment checks were issued but not mailed to the claimants/insureds timely. The Company was directed to calculate interest and make interest payments to the insureds/claimants. The interest payments have not been refunded by the Company. (See Pending Issues)
5. Two (2) errors were due to failure to return unearned premium timely. This constitutes a violation of Section 627.7283, Florida Statutes. The Company was directed to calculate the 8% interest and make the interest payment to the insured. The amount of the interest was \$7.43, which has been refunded to the insured.
6. One (1) error was due to failure to adjust the claim according to the terms of the contract. This constitutes a violation of Section 626.877, Florida Statutes.

The following provides the detail information for each complaint.

	CONSUMER	DATE OF COMPLAINT TO DOI	ALLEGATION	MONETARY IMPACT	VIOLATION	EXPLANATION
1	Confiance	01/22/2001	slow claims handling	none	none	Ins changed address
2	Van Dyke	02/12/2001	slow claims handling	none	none	series of 10 day delays
3	Salvani	02/15/2001	slow claims handling	none	none	delayed but not in violation
4	Petitbo	02/07/2001	slow claims handling	none	none	file reflects difficulty getting police report
5	Friedman	02/12/2001	slow claims handling	none	none	driver and auto not insured
6	Thompson	02/01/2001	Premium Refund	none	none	Company file reflects refund made in 30 days.
7	Smith	02/23/2001	slow claims handling	none	none	driver and auto not insured on policy
8	Sanchez	03/23/2001	over charge of prem	none	none	Audit at pol exp. showed 500% increase in payroll. Co. billed and has now filed suit to collect
9	Ali	02/22/2001	slow claims handling	none	4-166.025	appraiser had delay locating claimant veh.
10	Wend	02/20/2001	slow claims handling	none	4-166.025	appraiser had delay locating claimant veh.

11	Smith	02/22/2001	Failed to disclose	none	627.4137	clt. requested info 8/28/00 and the response was 2/26/01
12	Charmatz	02/26/2001	slow claims handling	none	626.9541	Acc. 12/14/00 and damage determined 12/17/00 proof received 2/5/01 check cut 2/13/ but not sent till 2/21/01. File does not contain enough info to explain delay
13	Johnson	02/01/2001	slow claims handling	none	none	
14	Schmidt	02/16/2001	slow claims adj	none	none	Loss adjustment was slow but no violations noted
15	Farfan	02/15/2001	slow claims adj	none	none	claim was less than ded.
16	Manolios	02/26/2001	slow claims adj	none	none	Loss adjustment was slow but no violations noted
17	Michelle	02/22/2001	slow claims adj	none	none	Loss was paid by adv. Company was slow but no violations noted
18	Sartor	02/26/2001	slow claims adj	none	none	Loss adj was slow but no violation found
19	Scott	02/12/2001	Ins says she paid the agent but the agent did not pay the company	none	none	paper work in files show that policy was cancelled by PFC due to non payment of premium after proper notice was given
20	Barthelmt	03/11/2001	Improper cancellation	none	none	None
21	Velez	02/19/2001	Improper cancellation	none	none	wrong company
22	Martinez	02/07/2001	Improper cancellation	none	none	corrected rating solved
23	Olga C/O Ghislaen	02/16/2001	Improper cancellation	none	none	cancelled due to poor driving record
24	Camacho Jr	01/25/2001	Slow return unearned prem	none	none	A review of the cancellation process reviled that the insured owed the company money and had no return coming
25	Gomez	02/08/2001	Improper claims handling	none	none	This claim was properly adjusted. The policy was also non renewed and replaced by another policy. This was based on a condition report
26	Daniel	01/12/2001	slow claims handling	none	none	claim less than ded.
27	Sosa	02/14/2001	slow claims handling	none	none	claims handling was slow but no violations were noted
28	Duran	22/13/01	slow claims handling	none	none	claims handling was slow but no violations were noted
29	Almodovar	02/21/2001	slow claims handling	none	4-166.025	complaint filed 2-33-01 response not sent till 2-23-01
30	Hilbara	2/7/00/	slow claims	none	none	claims handling was slow but no violations were noted
31	Ramirez	02/14/2001	slow refund of Can Pol	none	4-166.025	Company explanation of refund ok however reply to DOI Took 35 days
32	Cabrera	01/05/2001	slow claim processing	none	none	claims handling was slow but no violations were noted
33	Cabeza	02/13/2001	slow claims handling	none	none	claims handling was slow but no violations were noted
34	J&L Auto Sales	02/13/2001	slow claims handling	unknown	4-166.025 & 626.9541	Claim was denied due to lack of cooperation by insured. Response to DOI was not timely
35	Faila	02/15/2001	slows claims handling	none	none	slow file handling was noted but none in violation
36	Franco	02/20/2001	slows claims handling	none	none	This Policy was written by Greentree Ins Co. .
37	Sturup	01/18/2001	slows claims handling	none	none	This Policy was written by Greentree Ins Co. .
38	Saget	01/29/2001	slow claims handling	none	none	slow handling but no violation noted Agent contacted.
39	Van Etten	unk	slow claim payment	none	none	Agent contacted
40	Scott	01/18/2001	slow policy issuance	none	none	Policy was issued within 60 days
41	Reyes	02/09/2001	improper cancellation	none	4-166.025	complaint regarded Can. Request but none was found in file. The response to the DOI was late

42	Novoa	05/03/2001	slow claims handling	none	none	"I'd like to thank you again for helping me in this claim" note on fax signed by Ins and dated 2/22/01
43	Whitman	02/22/2001	slow claims handling	none	none	This policy was written by the Greentree Ins Co.
44	Hawley	02/16/2001	slow claims handling	none	626.9541	The company had enough paper work on 11/9/00 to conclude this loss but by not responding to letters and phone calls did not pay till 3/1/01
45	Lammer	01/15/2001	slow claims handling	none	none	claim dismissed by court(less than ded)
46	Collins	2/23/02	slow claims handling	none	none	Ins did not report loss and it turned out that pol had been Can. several months before. Co advised Clt
47	Insurance Quotes Inc	03/13/2001	improper soliciting of cancelled agent	none	none	The company has written a letter of apology to the agent as this act was done in error and was not intended
48	Cruz	2/26/01	additional premiums	none	none	Ins called complaining about ADDITIONAL PREMIUMS. Co checked and found that Pol had been renewed with another company
49	Feather	02/12/2001	slow claims handling	none	none	an underwriting problem delayed contact but as it turned out the adverse party was at fault anyway
50	Goodman	02/19/2001	slow claims handling	none	none	The ins was paid within a few days but wanted the check to himself. It took a week to stop pay and process a new one
51	Guagenti	02/06/2001	slow claims handling	none	627.4265 & 4-166.025	company had paper work 11/21/01 and did not pay till 12/19/01 interest payment pending
52	Arbeit	02/27/2001	slow claim payment	none	626.9541	Failed to implement standards for the prompt payment of claims
53	Insurance Quotes Inc	03/13/2001	improper soliciting of cancelled agent	none	none	The company has written a letter of apology to the agent as this act was done in error.
54	Grossman	unk	slow claim payment	none	none	Called down by D. Fisher. Determined that Pol. Had expired before accident date. Faxed this to David
55	Sheard	01/29/2001	slow claims	none	none	company claims it made every effort to settle
56	Meadow	01/25/2001	slow claim payment	none	4-166.025	Company paid loss as soon as it received subrogation from clt carrier but failed to respond to DOI in timely fashion
57	Oliveri	02/22/2001	slow claim payment	none	none	co. has paid but delayed due to driver not being shown on policy
58	Martinez	1/6/01/	slow claim payment	none	4-166.025	Co has paid most delay was due to ins being late sending proof of loss back there was a delay in response to DOI request
59	Sheffield	01/15/2001	Over payment return	none	none	Company failed to return an overpayment in a timely fashion
60	Reese	10/24/2000	slow claim payment	none	626.9541	On 10/26/00 the file contained enough information to make a few phone calls and conclude this file.
61	Chez	09/12/2000	Can. Return	none	none	NONE
62	ASRANI	03/20/2001	slow claim payment	\$1,466.52	627.4265	Failed to implement standards for the prompt payment of claims
63	Cunill	01/10/2001	Fraud	\$3,245.00	none	Agent took money and did not forward to The company. The company reimbursed the Ins.
64	Townsend	04/13/2001	Slow claims	none	none	The adjustment process was slow but no violations were noted in a review of the file.
65	Morrison	03/21/2001	improper can return	none	None	The insured paid for coverage on one truck and added another but made no payment Co. Can and applied return from paid one to both.
66	Romero	03/26/2001	improper can.	none	none	The insured failed to note a ticket. This was discovered by underwriter and after proper notice insured can notice for no pay of add premium
67	Perez	03/30/2001	slow Can. Return	\$7.43	627.7283	Pol. Was can 11/14/00 by the Ins. The return was not processed till 1-8-01 or 53 days after can

						date. Interest owed is \$7.42
68	Asrani	12/28/2000	Unlicenced Adj	none	none	a review of the file did not reflect any activities on the part of the party in question that would warrant a violation
69	Miller	03/28/2001	Slow claims	none	627.4265	Failed to pay loss within 20 days of settlement
70	Gomez	04/19/2001	Slow claims	none	4-166.025	It took the company 43 days to respond to the DOI request for an explanation
71	Schultz	03/27/2001	Slow claims	none	627.877 & 4-166.025	Company failed to pay timely and failed to respond to DOI request for information.
72	DOI-WPBSO	05/26/2001	Unlicenced Adj	none	none	a review of the file did not reflect any activities on the part of the party in question that would warrant a violation
73	Soto	02/28/2001	improper Can.	none	none	A review of the file found that it was cancelled by the PFC due to a missed payment
74	Pascal	04/04/2001	Slow claims	none	none	This loss was properly denied due to material misrepresentation
75	Noel	03/05/2001	Slow claims	none	none	The adjustment process was slow but no violations were noted in a review of the file
76	Nieves	02/28/2001	Improper Can.	none	none	Ins. Contends Pol. was Can without notice. File contains notice and proof of mailing
77	Saveerino	02/13/2001	slow claims	none	4-166.025	Company failed to respond to DOI w/n 21 days
78	Pherson	02/27/2001	slow claims	none	4-166.025	Company failed to respond to DOI w/n 21 days
79	Darlen	04/16/2001	slow claims	none	none	claim has been concluded
80	Mercedes Auto Bahn	3/101	improper claim denied	none	none	claim for water damage due to flood damage to cars in ins possession. Claim denied as this was an act of God not Legal Liab.
81	Seleon	03/21/2001	Improper Can.	none	none	Pol. Was can. Due to incomplete underwriting by agent. Company made several attempts to get needed info but could not and Cancelled
82	Arthur	04/11/2001	slow claims	None	none	It would appear that the adv have gone to its own insurance co for nothing has been heard from them since the complaint despite contact form the Company
83	Ghazal	03/19/2001	did not receive policy	none	None	According to the company file the app was received 10/16/01 and the policy was typed 12/6/00. Its not known what happened to it after that
84	D'arecca	03/01/2001	Mis-Quote of Prem	none	none	Company discovered mid term that this was a Comm Veh rather than PPA. Revised rates and issued Can when not paid
85	Ruddock	03/14/2001	Improper Can.	none	None	Company Cancelled when inspection report from agent showed old damage to insured veh.
86	Pater	05/11/2001	Not satisfied with claim adj	none	none	Herb Davis got with the claims people and was able to get the Co. and consumer together on a mutual agreed figure closing the file
87	Cohen	11/20/2000	Non return of unearned prem	none	none	Contact was made with Bill Moore who it was alleged to have taken this account from the Lauson Agency in bankruptcy. Mr. Moore advised that this was not one of the accounts he took over form this agency.
88	Cohen	11/20/2000	Non return of unearned prem	none	none	Contact was made with Bill Moore who it was alleged to have taken this account from the Lauson Agency in bankruptcy. Mr. Moore advised that this was not one of the accounts he took over form this agency.
89	Cohen	11/20/2000	Non return of unearned prem	none	none	Contact was made with Bill Moore who it was alleged to have taken this account from the Lauson Agency in bankruptcy. Mr. Moore advised that this was not one of the accounts he took over form this agency
90	Cohen	11/20/2000	Non return of unearned prem	none	none	Contact was made with Bill Moore who was alleged to have taken this acc from the Lauson Agency in bankruptcy. Moore advised that this was not one of the acc he took over form this agency.

91	Cohn	11/20/2000	Non return of unearned prem	none	None	Contact was made with Bill Moore who it was alleged to have taken this account from the Lauson Agency in bankruptcy. Mr. Moore advised that this was not one of the accounts he took over from this agency
92	Coheen	11/20/2000	Non return of unearned prem	none	none	Contact was made with Bill Moore who it was alleged to have taken this account from the Lauson Agency in bankruptcy. Mr. Moore advised that this was not one of the accounts he took over from this agency
93	Raphael	11/20/2000	Non return of unearned prem	none	627.7283	Failure to return unearned prem w/n 30 days

B. CONSUMER RECEIVED COMPLAINTS

Ten (10) consumer complaints received by the Company directly from consumers were received.

No errors were found.

IX. FINANCIAL REVIEW

In the Financial Review, the following samples were taken in order to determine compliance with Florida Statutes. An ACL Sample of Claims and Return Premium Checks, March 2001 Sample of Checks, Claim Check's Policy File Sample, Return Premium Checks Policy File Sample, Return Premium Checks of Samples From Bank Statements, ACL Samples of Nonrenewed and Cancelled Policies and Claim Checks Sample from Bank Statements. It was noted that the Company was in violation of several statutes.

Two hundred-four (204) files were examined.

Fifty-six (56) errors were found.

These errors are described as follows:

1. Sixteen (16) errors were due to failure to pay PIP benefits within 30 days. This constitutes a violation of Section 627.736, Florida Statutes.
2. Three (3) errors were due to failure to return unearned premium within 15 working days or 90 days for audited policies. This constitutes a violation of Rule 4-167.001, Florida Administrative Code.
3. Three (3) errors were due to failure to return the unearned premium within 30 days. This constitutes a violation of Section 627.7283, Florida Statutes.
4. One (1) error was due to failure to give 45 days advance notice of the intent to nonrenew. This constitutes a violation of Section 627.728, Florida Statutes.
5. One (1) error was due to failure to pay benefits within 20 days of agreed settlement. This constitutes a violation of Section 627.4265, Florida Statutes.

6. Two (2) errors were due to failure to mail PIP claim checks timely as required. This constitutes a violation of Section 627.736, Florida Statutes.
7. Three (3) errors were due to return premium checks not being processed timely. This constitutes a violation of Rule 4-167.001, Florida Administrative Code. The checks were issued, but the processing time was in excess of 100 days.
8. Twelve (12) errors were due to return premium checks not being processed timely. This constitutes a violation of Section 627.7283, Florida Statutes.
9. Fifteen (15) errors were due to claim payment checks not being processed timely. This constitutes a violation of Section 627.4265, Florida Statutes.

X. PENDING ISSUES

The following issues were pending at the conclusion of the examination fieldwork:

1. COMMUNICATIONS: Due to a large number of complaints regarding the inability of insureds and claimants to reach the Company and/or reaching the Company, but being put on hold for excessive periods of time, the Company was instructed to take action to correct this problem, Exhibit III, and provide a corrective action plan to the Department of Insurance within 30 days of receipt of this examination report.
2. CLAIM DELAYS: Due to the violations noted involving claims issue, the Company is directed to review their Claim Procedures and provide a revised plan to address timeliness of claims processing. The plan is to be submitted to the Department of Insurance within 30 days of the receipt of this examination report. In addition, the Company is to refund interest on claims settlements exceeding 20 days as noted in the Complaints Review.
3. CHECK PROCESSING DELAYS: Due to the documentation addressing the significant gaps in time between check issuance and receipt by financial institutions for payment, the Company is directed to review their procedures and submit a plan which provides consistent and timely issuance of checks. The plan is to be submitted to the Department of Insurance within 30 days of the receipt of this examination report.

XI. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS HANDLING PROCEDURES	I
COMPLAINT HANDLING PROCEDURES	II
COMMUNICATION ISSUE	III