

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

CLARENDON NATIONAL INSURANCE COMPANY
(CLARENDON INSURANCE GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 12/5/00

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I. INTRODUCTION

Clarendon National Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, June 1999 through December 1999. This examination began March 6, 2000 and ended March 31, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1997.

The purpose of this target exam was to review the Company's compliance with consent order requirements related to takeout business assumed from the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA) and the Florida Windstorm Underwriting Association (FWUA.) In addition, consumer complaints were reviewed to verify that business was being processed in accordance with Statutes.

During this examination, records reviewed included policies, agents licenses and consumer complaints for the period of June 1999 through December 1999, 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, \$282.00 was returned to Florida consumers due to overcharges of premium.

II. TAKEOUT CONSENT ORDER REQUIREMENTS

A. DWELLING FIRE/HOMEOWNERS

1. General Comments

A review of takeout business from the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA) was conducted. In the consent order, executed by the Florida Department of Insurance, the Company agreed to the following issues:

- a. All policies must be renewable at Clarendon's approved rates for a period of three years.
- b. At the time of assumption Clarendon may either obtain a new policy application or maintain on file a copy of the policyholder's application on file with the FRPCJUA. Clarendon may not initiate any retrospective increases in rate or premium or any retrospective decreases in coverage as a result of the new applications.
- c. Rates for the FRPCJUA renewals are to be as follows:
 - 3% below FRPCJUA base for HO-3
 - 5% below FRPCJUA base for HO-4, HO-6
 - 5% below FRPCJUA base for DP
- d. Comply with Section 627.3511(4), Florida Statutes, regarding agent retention.
- e. Rates for the FWUA renewals are those currently approved for Clarendon and are the same as the FWUA.

2. Exam Findings

Fifty (50) policy files were examined.

Ten (10) errors were found.

Errors affecting premium resulted in nine (9) overcharges totaling \$282.00 and one (1) undercharge totaling \$121.00.

Clarendon National Insurance Company began assuming the take-out policies effective September 1, 1999, therefore, it was too soon to review for the three year renewable requirement.

Clarendon National Insurance Company did not obtain applications from the FRPCJUA and is working on development of an application to utilize in order to obtain applications on all take-out business within the twenty-four month requirement in the Consent Order.

The rates being utilized by Clarendon National Insurance Company were approved by the Insurance Department and are in compliance with the Consent Order.

On Agent retention, the Company sent letters to all the agents asking for tax information to be submitted to them in order to retain the business. If not received, they would transfer the business to one of their agents in accordance with the Consent Order. Exhibit I.

The errors are described as follows:

1. Ten (10) errors were due to failure to follow filed rating plan in accordance with Florida Statutes. Personal Liability rates were incorrect. Nine (9) of these errors resulted in overcharges totaling \$282.00, which have been refunded by the Company. One (1) error resulted in an undercharge of \$121.00. This constitutes a violation of Section 627.062, Florida Statutes.

B. WINDSTORM

1. General Comments

A review of takeout business from the Florida Windstorm Underwriting Association (FWUA) was conducted. In the consent order, executed by the Florida Department of Insurance, the Company agreed to the following issues:

- a. All policies must be renewable at Clarendon's approved rates for a period of three years.
- b. Comply with Section 627.3511(4), Florida Statutes, regarding agent retention.
- c. Rates for the FWUA renewals are those currently approved for Clarendon and are the same as the FWUA.

2. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

Clarendon National Insurance Company began assuming the take-out policies effective September 1, 1999, therefore, it was too soon to review for the three year renewable requirement.

The rates being utilized by Clarendon National Insurance Company were approved by the Insurance Department and are in compliance with the Consent Order.

On Agent retention, the Company sent letters to all the agents asking for tax information to be submitted to them in order to retain the business. If not received, they would transfer the business to one of their agents in accordance with the Consent Order. Exhibit I.

C. AGENTS LICENSES

1. General Comments

A review of takeout business from the Florida Residential Property and Casualty Joint Underwriting Association (FPRCJUA) and the Florida Windstorm Underwriting Association (FWUA) was conducted. In the Consent Order, executed by the Florida Department of Insurance, the Company agreed to the following issue.

- a. Comply with Section 627.3511(4), Florida Statutes, agent retention.

2. Exam Findings

Ten (10) policy files were examined.

In addition to the information stated in the letter shown in Exhibit I, Clarendon National Insurance Company has stated that every agent in the takeout program is being allowed to keep the book of business and are paid a commission, if they choose. The Company is then proceeding with agency appointments to comply with Florida licensing laws.

No errors were found.

III. COMPLAINTS REVIEW

a. General Comments

A log 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 review of the last ten complaints received by the Company was conducted along with a review of the reasons for an increase in complaint activity during the scope of this exam.

b. Exam Findings

Ten (10) complaints were reviewed.

The claim activity increased from the average of about 400 claims a month to 1,537 in November 1999, and 4,732 in December 1999, due to Hurricane Irene that struck in October, 1999. Nine of the ten complaints reviewed above were Hurricane related complaints wherein insureds did not understand how the policy coverages applied to losses. Exhibit III.

Clarendon National Insurance Company originally handled the complaints properly or resolved the complaints satisfactorily. In each complaint the Company acted in compliance with statutory requirements.

IV. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
LETTER TO AGENTS REGARDING AGENT RETENTION	I
COMPLAINT HANDLING PROCEDURES	II
COMPANY MEMO	III