

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

CAROLINA CASUALTY INSURANCE COMPANY
(W.R. BERKLEY CORPORATION)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 7/20/01

TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	PRE-EXAM REVIEW OF COMPANY WRITINGS	2
III.	COMPANY OPERATIONS/MANAGEMENT	3
IV.	REVIEW OF POLICIES	
A.	COMMERCIAL AUTOMOBILE	7
V.	AGENTS/MGA REVIEW	10
VI.	CANCELLATIONS/NONRENEWALS REVIEW	11
VII.	CLAIMS REVIEW	12
VIII.	COMPLAINTS REVIEW	13
IX.	EXHIBITS	14

I. INTRODUCTION

Carolina Casualty Insurance Company is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1997 through December 1999. This examination began October 29, 2000 and ended November 18, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1997.

The purpose of this target examination was to determine compliance with the Florida Insurance Statutes and Administrative Rules for writing Commercial Automobile insurance.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1997 through December 1999, as reflected in the report.

Three (3) errors in thirty (30) files were found in the prior examination in the Agents and Managing General Agents Review. Two (2) of the errors were due to failure to disclose the brokering agent's registration number on the policy application. One (1) error was due to failure to disclose the license identification number on the policy application.

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, \$94.00 was returned to Florida consumers due to overcharges of premium.

II. PRE-EXAM REVIEW OF COMPANY'S 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

Carolina Casualty Insurance Company was incorporated on April 18, 1951, as Insurance Company of the South under the laws of Florida, commencing business in 1952. The former Carolina Casualty Insurance Company acquired the controlling interest of Insurance Company of the South in 1964. On March 31, 1966, Carolina Casualty Insurance Company merged with Insurance Company of the South, adopting the name of Carolina Casualty Insurance Company.

On January 30, 1985, W. R. Berkley Corporation acquired all the outstanding shares through an exchange of stock. The parent is an insurance holding company which through its subsidiaries, does business in all segments of the property casualty insurance business.

The home office is located at 8381 Dix Ellis Trail, Suite 400, Jackson Building, Jacksonville, Florida. However, there are a few separate offices for the express purpose of servicing special programs.

Carolina Casualty's specialty operations are:

Surety business: – Underwriting and claims are handled by Monitor Surety Managers, Inc., located in Florham Park, N. J. They are a subsidiary of W.R. Berkley Corporation.

Professional Liability: - Underwriting and claims are handled by Monitor Liability Managers, Inc., located in Rolling Meadows, Illinois. They are a subsidiary of W. R. Berkley Corporation.

The Company holds a multi-lines license in all states.

The Company's computer rating program processes most of the Company's policy rating and issuance.

Carolina Casualty maintains a staff of Company adjusters but also utilizes independent adjusters when needed.

B. MANAGEMENT

The Information Systems Department of Carolina Casualty is comprised of nine employees. The Company employs the services of a systems consultant who works on site as Systems Administrator and CICS programmer. Entry to the computer room is limited and is secured with a combination lock.

The PC Network is comprised of five servers running Microsoft NT 4.0 as the operating system, with approximately one hundred and thirty-six (136) users attached with desktops and laptops running Windows 95.

The Company uses a dial up connection to a local ISP which is used for Internet Mail and limited Internet Access. There are twelve (12) off-site users who communicate files to the Home Office via dial up networking.

Carolina Casualty filed its Anti-Fraud Plan with the Florida Insurance Department, Division of Fraud on January 5, 1996.

The Company has a written Disaster Preparedness and Recovery Plan with the latest edition being August 2000. Employee meetings to discuss Disaster Preparedness and Recovery Plans are held annually.

C. OPERATIONS

Carolina Casualty writes all truck-related lines of insurance, including but not limited to, comprehensive automobile liability, general liability, automobile physical damage and motor truck cargo. All sizes of truck accounts are considered, however, the Company's focus is on small fleet and owner operator long-haul trucking and public auto (bus) insurance business. A small book of inland marine business, i.e., motor truck cargo, is written in support of the commercial automobile business. Additionally, the Company has several special programs for incidental lines of business such as general liability, surety and professional liability.

The Company provides a market for small to medium size public automobile accounts as well as large public auto fleet accounts. These risks consist of municipal and miscellaneous public autos. As with the trucking operation, accounts are written up to the required statutory limit either on a first dollar or deductible basis, with limits available at \$750,000, \$1,000,000 and \$1,500,000.

General Liability is written as incidental to primary automobile liability and physical damage coverage where exposures exist. Cargo insurance is a statutory requirement for most trucking risks. The Company offers very basic Cargo coverage up to the broadest bill-of-lading form.

IV. REVIEW OF POLICIES

A. COMMERCIAL AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Carolina Casualty Insurance Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

Carolina Casualty Insurance Company is a member/subscriber of Insurance Service (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>
1997	\$2,510,193	381
1998	\$5,221,931	896
1999	\$6,313,451	855

3. Exam Findings

One hundred (100) policy files were examined.

Five (6) errors were found.

Errors affecting premium resulted in one (1) overcharge totaling \$94.00 and two (2) undercharges totaling \$1,469.00.

The errors are broken down as follows:

1. One (1) error was due to failure to follow the filed rating plan, rating schedule or rating rule, by use of an incorrect territory. This error resulted in an overcharge totaling \$94.00, which has been refunded by the Company. This constitutes a violation of Section 627.062, Florida Statutes.

2. One (1) error was due to failure to follow the filed rating plan, rating schedule or rating rule, by use of an incorrect classification. This error resulted in an undercharge totaling \$312.00. This constitutes a violation of Section 627.062, Florida Statutes.
3. One (1) error was due to failure to provide mandatory UM coverage. This constitutes a violation of Section 627.727, Florida Statutes.
4. One (1) error was due to failure to properly document/substantiate a credit/debit. This constitutes a violation of Rule 4-170.004, Florida Administrative Code.
5. One (1) error was due to failure to apply a credit/debit within the approved range. The Company applied a 15% credit to “Employees” risk characteristic when 10 % is the maximum filed range. This error resulted in an undercharge totaling \$1,157.00. This constitutes a violation of Rule 4-170.004, Florida Administrative Code.
6. One (1) error was due to failure to comply with unfair trade practices requirements. An additional credit was applied to get to a specific premium. This constitutes a violation of Section 626.9541, Florida Statutes.

V. AGENTS/MGA REVIEW

Ten (10) applications/policies written during the scope of examination were examined.

No errors were found.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Five (5) errors were found.

None of the errors affected premium calculations.

The errors are broken down as follows:

1. Five (5) errors were due to failure to provide a specific reason for nonrenewal.
This constitutes a violation of Section 627.4091, Florida Statutes.

VII. CLAIMS REVIEW

Twenty-five (25) claims were examined.

No errors were found.

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

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. Consumer complaints received during the scope of examination were reviewed, and findings are as follows:

A. INFORMAL COMPLAINTS

Ten (10) complaints were reviewed.

No errors were found.

IX. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS HANDLING PROCEDURES	I
COMPLAINTS HANDLING PROCEDURES	II