



THE TREASURER OF THE STATE OF FLORIDA
DEPARTMENT OF INSURANCE

TOM GALLAGHER

IN THE MATTER OF:

CASE NO. 42800-01-CO

DIRECT GENERAL INSURANCE COMPANY

2001 Property and Casualty Target Market Conduct Examination

CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between **DIRECT GENERAL INSURANCE COMPANY** (hereinafter referred to as **DIRECT GENERAL**) and the **FLORIDA DEPARTMENT OF INSURANCE** (hereinafter referred to as the **DEPARTMENT**). Following a complete review of the entire record and upon consideration thereof, and being otherwise fully advised in the premises, the Treasurer and Insurance Commissioner, as head of the **DEPARTMENT**, hereby finds as follows:

1. The Treasurer and Insurance Commissioner, as head of the **DEPARTMENT**, has jurisdiction over the subject matter of and parties to this proceeding.

2. **DIRECT GENERAL** is a foreign property and casualty insurer authorized to transact insurance business in Florida and is subject to the jurisdiction and regulation of the **DEPARTMENT** pursuant to the Florida Insurance Code.

3. The **DEPARTMENT** conducted a property and casualty market conduct examination of **DIRECT GENERAL** covering the period of January 1999 through December 2000, pursuant to Section 624.3161, Florida Statutes. As a result of such examination, the **DEPARTMENT** determined that **DIRECT GENERAL** committed the following violations of the Florida Insurance Code or Florida Administrative Code as outlined in total in the Fine Worksheet provided with the Report of Examination Findings.

a. Private Passenger Automobile

1. Section 627.318, F.S.-Failure to Maintain Records.
2. Section 627.0651, F.S.-Use of Unfiled Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA).
3. Section 627.0651, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA)-Multi-Car Discount.
4. Section 627.0651, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA)-Incorrectly Calculated.
5. Section 627.0651, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA)-Symbol.
6. Section 627.0651, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA)-Rating Class.
7. Section 627.0653, F.S.-Failure to Provide Safety Device Discounts-Anti-Lock Brakes and Air Bag.

b. Claims

1. Section 626.863, F.S.-Use of Unlicensed/Unappointed Independent Adjuster.
2. Section 626.9541, F.S.-Failure to Comply with Unfair Trade Practice Requirements.
3. Rule 4-166.022-Failure to Maintain/Provide Claims Documentation.
4. Rule 4-166.026-Failure to Provide a Written Explanation of Claims Denials.
5. Section 627.7401, F.S.-Failure to Advise Insurer of PIP Rights and Benefits.
6. Rule 4-166.024-Failure to Communicate Timely.
7. Section 627.4137, F.S.-Failure to Disclose Information.
8. Section 319.30, F.S.-Failure to Properly Forward Automobile Titles to the Department of Highway Safety and Motor Vehicles.
9. Section 627.736, F.S.-Failure to Comply with PIP Benefit Requirements.

4. The **DEPARTMENT** and **DIRECT GENERAL** expressly waive a hearing in this matter and the making of Findings of Fact and Conclusions of Law by the **DEPARTMENT** and all further and other proceedings herein to which the parties may be entitled by law. **DIRECT GENERAL** hereby knowingly and voluntarily waives the rights to challenge or to contest this Order, in any forum now available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

5. **DIRECT GENERAL** agrees that upon the execution of this Consent Order it shall be subject to the following terms and conditions:

(a) **DIRECT GENERAL** shall pay an administrative penalty of \$5,750 and administrative costs of \$1000 on or before the 30th day after this Consent Order is executed.

(b) **DIRECT GENERAL** shall henceforth comply with all of the provisions of the Florida Insurance Code, Florida Administrative Code and implement policies and procedures that will preclude the recurrence of violations contained in the examination report. These policies and procedures shall be made available to the **DEPARTMENT** for review upon request. **DIRECT GENERAL** will implement recommendations contained in this report within 90 days after execution of Consent Order, including any pending refunds, and submit confirmation in writing to the **DEPARTMENT** that all directives contained in the report have been met, including all refunds made. This confirmation shall be provided to the **DEPARTMENT** within the 90 days timeframe.

(c) **DIRECT GENERAL** is hereby placed on notice of the requirements of the above referenced sections of law and agrees that any future violations of these sections by **DIRECT GENERAL** may be deemed willful, subjecting **DIRECT GENERAL** to appropriate penalties.

6. **DIRECT GENERAL** agrees that the failure to adhere to one or more of the above terms and conditions of this

Consent Order shall constitute a violation of a lawful order of the **DEPARTMENT**, and shall subject **DIRECT GENERAL** to such administrative action as the Treasurer and Insurance Commissioner may deem appropriate.

7. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

8. THEREFORE, the agreement between **DIRECT GENERAL INSURANCE COMPANY** and the **DEPARTMENT**, the terms and conditions of that are set forth above, is approved.

FURTHER, all terms and conditions above are hereby ORDERED. **DONE AND ORDERED** this ____ day of ____, 2001.

KEVIN MCCARTY
DEPUTY INSURANCE COMMISSIONER

By execution hereof **DIRECT GENERAL INSURANCE COMPANY** consents to entry of this Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. I am authorized to execute this document.

DIRECT GENERAL INSURANCE COMPANY

By: _____

Title: _____

Date: _____

COPIES FURNISHED TO:

Ms. Jacqueline C. Adair, President
Direct General Insurance Company
1281 Murfreesboro Road
Nashville, Tennessee 37217

Cheryl C. Jones, AIE
Field Insurance Regional Administrator
Division of Insurer Services
Bureau of P&C Insurer Solvency and
Market Conduct Review
200 East Gaines Street, Suite 131B
Tallahassee, Florida 32399-0329