

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

EAGLE INSURANCE COMPANY
(THE ROBERT PLAN CORPORATION)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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I. INTRODUCTION

Eagle Insurance Company is a foreign 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 1997 through December 1999. The examination began November 27, 2000 and ended January 20, 2001. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded February 29, 1996.

The 1996 examination included the review of private passenger automobile policies and underwriting files. Errors cited included failure to provide safety device discounts and failure to correctly specify contents of policy. In the Agent/MGA review, errors cited included failure to comply with exchange of business requirements.

The purpose of the current examination was to verify compliance with Florida Statutes and Rules.

During this examination, records reviewed included certificates of authority covering the scope of the examination, policies including applications and underwriting files, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1997 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, \$144.43 was returned to Florida consumers due to overcharges of premium and interest owed on the late return of unearned premiums. In addition, an estimated \$6,617.00 will be returned to an estimated 952 Florida consumers due to interest owed on the late return of unearned premiums.

II. PRE-EXAM REVIEW OF COMPANY WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

The Certificates 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

Eagle Insurance Company was incorporated under the statutes of the State of New Jersey as the Eagle Fire Insurance Company on February 27, 1912. In accordance with an amended Certificate of Incorporation, the present name was adopted on May 13, 1964. On July 27, 1992, a Certificate of Authority was issued to allow Eagle Insurance Company to transact business in Florida.

Eagle Insurance Company is a wholly owned subsidiary of the Robert Plan Corporation and is affiliated in Florida with The Robert Plan of NY Corp. (MGA).

Eagle Insurance Company markets its products to the general public through independent agents appointed by its MGA, The Robert Plan of NY Corp. Eagle Insurance Company does not use general agents, exchange of business, direct response or the internet in its marketing.

Eagle Insurance Company employs staff adjusters and contracts with independent adjusters to handle claims.

Eagle Insurance Company maintains its Home Office in Bethpage, New York, with Regional Offices in North Lauderdale, Florida, Woodland Hills, California, and Edison, New Jersey. Branch Offices of the Company are located in Fairlawn, New Jersey, Philadelphia, Pennsylvania, Binghamton, New York and Kingston, New York.

B. MANAGEMENT

1. Company Computer System

Eagle Insurance Company uses the UNICORP System in Florida.

2. Anti-Fraud Plan

Eagle Insurance Company has an anti-fraud plan operated by the Special Investigations Unit (SIU), which has been established to investigate all fraud attempts whether by application or claim.

3. Disaster Recovery Plan

Eagle Insurance Company has no formal disaster recovery plan in place for the Florida Regional Office.

4. Internal Audit

Eagle Insurance Company has no formal internal audit plan for the Florida Regional Office.

C. OPERATIONS

Eagle Insurance Company writes automobile insurance coverages in the State of Florida and has non-standard, standard and preferred programs. Marketing is handled through independent insurance agents.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

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

b. Form Filings

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

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	\$ 140,581	212
1998	\$4,384,199	5,666
1999	\$6,514,659	8,406

In 1995, the Company's direct written premium was \$2,400,000.00. They Terminated their contract with the MGA which marketed their products in Florida. In 1996, the reported premiums were \$98,000.00, documenting a run-off of business. In 1997, they contracted with two Managing General Agencies to market their products and reported annual premiums of \$140,581.00. In 1998, competitive pricing and an increase in agency representation increased policies sold. In 1999, the Company also assumed blocks of business from The AIG Group. While not a part of the scope of this examination, premiums for 2000 increased to \$19,500,000.00.

3. Exam Findings

One hundred (100) policy files were examined.

Eight (8) errors were found.

Errors affecting premium resulted in one (1) overcharge totaling \$13.20 and seven (7) undercharges totaling \$145.00.

The errors are broken down as follows:

1. One (1) error was due to failure to provide safety device discounts. This constitutes a violation of Section 627.0653, Florida Statutes. This error resulted in an overcharge totaling \$13.20, which has been refunded by the Company. There were forty-seven (47) vehicles that were eligible for the safety device discount and all except this policy received the discount.

This error occurred in the 1996 Property and Casualty Market Conduct Examination, Page 3. Fifty (50) policies were examined resulting in three (3) errors for failure to provide safety device discounts. Exhibit I.

2. Seven (7) errors were due to failure to follow the filed rate, rating schedule or rating rule. The Company applied safety device discounts to un-qualified vehicles. This constitutes a violation of Section 627.0651, Florida Statutes. These errors resulted in undercharges totaling \$145.00.

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.

Eighteen (18) errors were found.

Seven (7) errors resulted in underreturns totaling \$131.23.

The errors are broken down as follows:

1. Eighteen (18) errors were due to failure to comply with return of unearned premium within thirty (30) days. This constitutes a violation of Section 627.7283, Florida Statutes. Seven (7) of the eighteen (18) errors resulted in underreturns totaling \$131.23, which have been refunded by the Company. The remaining eleven (11) errors did not require refunds by the Company due to the fact that the individual underreturns were less than \$5.00 each and, therefore, waived.

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 II.

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

A. COMPANY RECEIVED COMPLAINTS

The Company alleges that there were no complaints received during the scope of this examination. The Company was directed to record on the complaint log, complaints received from the Department of Insurance as well as directly from consumers.

IX. PENDING ISSUES

The following issue was pending at the conclusion of the examination field work:

1. The Company was instructed to review all policies canceled during the scope of this examination and to refund to the policyholder any interest due on any unearned premiums that were returned thirty (30) days after the issuance or receipt of the notice of cancellation by the Company. The Company is to provide the Florida Department of Insurance with documentation that all necessary refunds have been made within ninety (90) days of the completion of this examination. An estimated 952 insureds will receive refunds for an approximate \$6,617.00. Exhibit IV.

X. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
1996 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION REPORT, PAGE 3	I
CLAIMS HANDLING PROCEDURES	II
COMPLAINT HANDLING PROCEDURES	III
DIRECTIVE TO COMPANY ON UNTIMELY RETURN OF PREMIUMS	IV