

2000 PROPERTY & CASUALTY MARKET CONDUCT EXAMINATION

OF

FCCI INSURANCE COMPANY
(FCCI INSURANCE GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 3/25/02

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I. INTRODUCTION

FCCI Insurance Company is a property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 through December 1998. The examination began November 1, 1999 and ended January 14, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1995.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1996 through December 1998, 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 this examination, \$67.00 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

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. Error Percentages

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. REVIEW OF POLICIES

A. WORKERS' COMPENSATION

1. Application of Rules, Rates and Forms

a. General Comments

FCCI 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>
1996	\$287,587,919	10,696
1997	\$273,053,296	13,711
1998	\$245,039,289	11,395

b. Error Percentages

One hundred forty-one (141) policies and audits were examined.

Thirty-eight (38) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Nine (9) errors were due to failure to file and obtain approval of modification of NCCI forms. This constitutes a violation of Section 627.410, Florida Statutes.
2. Two (2) errors were due to failure to file and obtain approval of "1998 W.C. Program Selection Form". This constitutes a violation of Section 627.410, Florida Statutes
3. Two (2) errors were due to use of unfiled Incurred Participator Dividend Retro Program Acknowledgement form. This constitutes a violation of Section 627.410, Florida Statutes.
4. Two (2) errors were due to failure to endorse the policy that changes the policy to a participating policy. This constitutes a violation of Section 627.413, Florida Statutes.
5. One (1) error was due to failure to file and obtain approval of a page entitled, "Premium Adjustment Worksheet". This constitutes a violation of Section 627.410, Florida Statutes.
6. Two (2) errors were due to use of unfiled Premier Dividend Program Acknowledgement form. This constitutes a violation of Section 627.410, Florida Statutes.

7. One (1) error was due to failure to file and obtain approval of a page entitled, "Paid Loss Participant Dividend Retro Program Acknowledgement". This constitutes a violation of Section 627.410, Florida Statutes.
8. One (1) error was due to failure to file and obtain approval of a plan entitled, "Cash Flow Dividend Retro Program". This constitutes a violation of Section 627.410, Florida Statutes.
9. One (1) error was due to incorrect premium amounts shown on retro premium endorsement, WC00503A schedule. This constitutes a violation of Section 627.191, Florida Statutes.
10. One (1) error was due to incorrect basic premium factors shown on retro premium endorsement, WC000503A schedule. This constitutes a violation of Section 627.191, Florida Statutes.
11. Two (2) errors were due to failure to follow filed underwriting/rating guidelines in failure to attach an "Anniversary Rating Date" endorsement. This constitutes a violation of Section 627.191, Florida Statutes.
12. Thirteen (13) errors were due to failure to provide a statement or (final premium audit billing) detailing any additional or unearned premium within time limitation of ninety (90) days. This constitutes a violation of Section 627.191, Florida Statutes.
13. One (1) error was due to failure to endorse the policy to make it eligible for participation in any share of surplus. This constitutes a violation of Section 626.9541.

2. Unit Statistical Review

a. Audit Comparison

Twenty-five (25) premium statistical cards were examined.

No errors were found.

b. Claim Comparison

Twenty-five (25) claim statistical cards were examined.

No errors were found.

IV. AGENTS/MGA REVIEW

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

No errors were found.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Six (6) errors were found.

One (1) error resulted in an underreturn totaling \$67.00.

The errors are broken down as follows:

- 1 Five (5) errors were due to failure to provide specific reason for cancellation or nonrenewal. This constitutes a violation of Section 627.4091, Florida Statutes.
- 2 One (1) error was due to failure to follow the filed rating guideline. This error resulted in an underreturn of \$67.00, which has been paid by the Company. This constitutes a violation of Section 627.191, Florida Statutes.

VI. COMPLAINTS REVIEW

A complete record of all the complaints received by the Company 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 I.

VII. EXHIBITS

SUBJECT _____ EXHIBIT NUMBER

COMPLAINT HANDLING PROCEDURES I