

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

FOREMOST SIGNATURE INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 7/6/-1

TABLE OF CONTENTS

<u>PART</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	MUNICIPAL CODING	2
III.	EXAMINATION FINDINGS	3
IV.	COMMENTS AND CORRECTIVE ACTIONS	10

I. INTRODUCTION

Foremost Signature Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1998 through December 1998. The examination began February 22, 2000 and ended June 12, 2000.

Insurance companies are required to file reports with the Florida Department of Revenue which accurately identify the geographic location of policies written on specific lines of business, and the amount of premiums written in each fire district or municipality. Various fire districts and municipalities throughout the state have established pension funds that qualify for distributions of a portion of the premium tax collections. On an annual basis the Florida Department of Revenue provides funds to participating fire districts and municipalities based on the reports received from insurers doing business in this state.

In accordance with the provisions of Section 624.3161, Florida Statutes, representatives of the Florida Department of Insurance conducted a target market conduct examination of Foremost Signature Insurance Company for the purpose of ascertaining compliance with the reporting requirements contained in Chapters 175 and 185, Florida Statutes.

This examination represents the Department's target examination of the Company's reports filed with the Florida Department of Revenue, and covers policies written in calendar year 1998.

II. MUNICIPAL CODING

During 1998, Foremost Signature Insurance Company wrote policies in Florida, which are subject to the reporting requirements of Chapters 175 and 185, Florida Statutes. The Company reported total premiums subject to Chapters 175 and 185 of \$2,855,554.00, which resulted in \$43,855.89 of premium tax being allocated to the Firefighters' and Police Officers' Pension Trust Funds, respectively.

The Company reported premium taxes for fire districts and municipalities to the Florida Department of Revenue as follows:

MSC049 FEI 382430150 Insurance Premium Taxes & Fees (R.01/99) 02/15/00 16:09:12			
F20:Back Page (MA) Post 1992 Returns - Detail Pg		As Filed	As Computed
1.	Total Premium Tax Due.....(Sch 1)	1. 100,520.39	100,520.38
2.	Credits Against Tax.....(Ln 11 Sch 3)	2. 80,687.82	80,687.82
3.	Net Premium Tax Due.....(Or Zero)	3. 19,832.57	19,832.56
4.	State Fire Marshal Reg Assess (Sch 10)	4. 15,499.28	15,499.28
5.	Wet Marine & Transport Tax....(Sch 11)	5. 0.00	0.00
6.	Firefighter Relief.....(Sch 12)	6. 36,229.81	36,229.80
7.	Municipal Police Relief.....(Sch 13)	7. 7,626.08	7,626.08
8.	Retaliatory Tax.....(Sch 14)	8. 0.00	0.00
9.	Annual/Quarterly Filing Fees..(Sch 15)	9. 1,000.00	1,000.00
10.	Commercial/Residential Surchg (Sch 16)	10. 26,078.00	26,078.00
11.	Total Tax Due	106,265.74	106,265.72
	Less Installments Paid in 1st Quarter:	36,776.90	36,776.90
	2nd Quarter:	35,090.90	35,090.90
	3rd Quarter:	35,940.90	35,940.90
12.	Orig 0.00 0.00 Total:	107,808.70	107,808.70
13.	Net Tax Due or Overpayment	13. -1,542.96	-1,542.98
14.	Penalty (10% Late Penalty)	14. 0.00	0.00
15.	Interest (12% per Annum)	15. 0.00	0.00
16.	Amount Due With This Return	16. 0.00	-1,542.98
17.	Amount of Overpayment to be Refunded	17. 1,542.96	1,542.98
17.	Amount Refunded with Original (If Amended)	17. 0.00	0.00
F19:MSC006 F22:Front Page Inquiry Mode - Updates are NOT allowed.			

III. EXAMINATION FINDINGS

During its examination, the Department requested 1998 policy information from Foremost Signature Insurance Company for all policies written in the State of Florida which were subject to Chapters 175 and 185, Florida Statutes. The Company indicated that 1998 report to the Department of Revenue was prepared using Code 1 software. The Department utilized geo-coding software to determine the correct code for the fire district and municipality for each of these policies. The Company submitted data for 27,366 policies. Of this amount, 2,774 were not verifiable due to an invalid address, policy type or code.

The Department's review is summarized as follows:

FIRE DISTRICT RESULTS

Tax Code	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
017	Bonita Springs Fire Control District	0.00	60.29	(60.29)
018	Cedar Hammock Fire Control District	0.00	3.08	(3.08)
021	Destin Fire Control District	8.64	0.00	8.64
024	East Naples Fire Control District	0.00	132.07	(132.07)
027	Englewood Area Fire Control District	0.00	21.83	(21.83)
040	Iona McGregor Fire Service District	0.00	89.56	(89.56)
049	North Ft. Myers Fire Control District	0.00	315.82	(315.82)
050	North Naples Fire Control District	0.00	35.29	(35.29)
053	North River Fire Control District	0.00	203.78	(203.78)
060	Palm Harbor Special Fire Control District	0.00	43.39	(43.39)
064	San Carlos Fire Service District	0.00	31.35	(31.35)
066	South Trail Fire Service District	0.00	25.87	(25.87)
067	South Walton Fire Control District	0.00	61.37	(61.37)
069	Southern Manatee Fire & Rescue District	0.00	87.87	(87.87)
073	St. Lucie County - Ft. Pierce Fire District	0.00	269.49	(269.49)
106	Altamonte Springs	19.22	0.00	19.22

118	Apopka	149.46	0.00	149.46
119	Arcadia	790.54	0.00	790.54
128	Atlantic Beach	7.19	0.00	7.19
130	Auburndale	342.82	0.00	342.82
134	Avon Park	940.65	0.00	940.65
148	Bartow	492.78	0.00	492.78
167	Belleair	0.00	4.18	(4.18)
183	Boca Raton	23.69	0.00	23.69
191	Boynton Beach	101.81	0.00	101.81
192	Bradenton	100.68	0.00	100.68
203	Brooksville	290.18	0.00	290.18
210	Bunnell	48.21	0.00	48.21
222	Cape Coral	0.00	3.64	(3.64)
229	Casselberry	3.03	0.00	3.03
238	Chattahoochee	30.59	0.00	30.59
251	Clearwater	15.87	1.50	14.37
253	Clermont	770.34	0.00	770.34
257	Cocoa	36.62	0.00	36.62
278	Crescent City	10.36	0.00	10.36
279	Crestview	41.88	0.00	41.88
287	Dade City	64.79	0.00	64.79
288	Dania	0.00	12.04	(12.04)
292	Davie	0.00	8.26	(8.26)
293	Daytona Beach	53.57	0.00	53.57
298	Deland	283.07	0.00	283.07
317	Dunnellon	215.12	0.00	215.12
331	Edgewater	12.45	0.00	12.45
349	Eustis	403.79	0.00	403.79
359	Fernandina Beach	3.02	0.00	3.02
361	Flagler Beach	9.65	0.00	9.65
371	Fort Lauderdale	52.14	0.00	52.14
374	Fort Myers	408.85	0.00	408.85
379	Fort Walton Beach	24.15	0.00	24.15
385	Fruitland Park	281.18	0.00	281.18
387	Gainesville	432.78	0.00	432.78
415	Green Cove Springs	24.56	0.00	24.56
431	Haines City	778.85	0.00	778.85
438	Havana	146.63	0.00	146.63
445	High Springs	216.00	0.00	216.00
459	Hollywood	6.41	0.00	6.41
464	Homestead	43.23	0.00	43.23
491	Jacksonville (Consol.)	59.73	7.19	52.54
492	Jacksonville Beach	0.00	3.34	(3.34)
509	Key West	217.54	0.00	217.54
515	Kissimmee	1,420.77	0.00	1,420.77
521	LaBelle	400.50	0.00	400.50
530	Lake City	443.80	0.00	443.80
544	Lake Wales	1,994.98	0.00	1,994.98
545	Lake Worth	9.65	0.00	9.65
546	Lakeland	2,775.80	0.00	2,775.80
552	Lantana	14.72	0.00	14.72
553	Largo	0.00	10.09	(10.09)
560	Leesburg	1,832.14	0.00	1,832.14
572	Live Oak	572.02	0.00	572.02

592	Macclenny	54.66	0.00	54.66
595	Madison	78.48	0.00	78.48
607	Marianna	219.06	0.00	219.06
620	Melbourne & Eau Gallie (Comb.)	72.10	0.00	72.10
626	Miami	104.62	0.00	104.62
640	Milton	214.61	0.00	214.61
645	Miramar	10.02	0.00	10.02
655	Mount Dora	164.01	(1.71)	165.72
666	Naples	184.21	0.00	184.21
675	New Port Richey	38.25	0.00	38.25
690	North Port	20.54	0.00	20.54
695	Ocala	1,734.77	0.00	1,734.77
706	Okeechobee	1,467.60	0.00	1,467.60
722	Orange Park	11.49	0.00	11.49
725	Orlando	716.42	0.00	716.42
728	Ormond Beach	14.71	0.00	14.71
743	Palatka	96.67	0.00	96.67
744	Palm Bay	0.00	6.48	(6.48)
746	Palm Beach Gardens	10.04	0.00	10.04
754	Panama City	159.60	0.00	159.60
755	Panama City Beach	113.26	2.73	110.53
769	Pembroke Park	0.00	6.41	(6.41)
773	Pensacola	189.61	0.00	189.61
776	Perry	17.22	0.00	17.22
789	Plantation	0.00	9.41	(9.41)
790	Plant City	111.17	0.00	111.17
801	Port Orange	0.00	47.22	(47.22)
811	Punta Gorda	101.64	0.00	101.64
816	Quincy	128.65	0.00	128.65
846	St. Augustine	347.71	0.00	347.71
849	St. Cloud	998.28	0.00	998.28
855	St. Petersburg	23.70	0.00	23.70
865	Sanford	28.25	0.00	28.25
869	Sarasota	120.24	0.00	120.24
874	Sebring	1,822.90	0.00	1,822.90
898	Springfield	0.00	13.36	(13.36)
900	Starke	59.28	0.00	59.28
916	Tallahassee	862.48	0.00	862.48
918	Tampa	129.86	0.00	129.86
921	Tavares	109.19	5.75	103.44
930	Titusville	15.20	0.00	15.20
941	Venice	41.87	0.00	41.87
944	Vero Beach	98.63	0.00	98.63
966	West Palm Beach	0.33	0.00	0.33
975	Wildwood	419.60	0.00	419.60
984	Winter Garden	52.54	0.00	52.54
985	Winter Haven	924.68	36.27	888.41
986	Winter Park	16.06	0.00	16.06
999	Not In A Tax Territory	567.48	35,386.97	(34,819.49)
1000	Invalid Firefighter Tax Code or no Tax Code Listed	6,846.05	0.00	6,846.05

	TOTALS	\$36,944.19	\$36,944.19	\$0.00
Summary of Invalid Firefighter Tax Code 1000	Over Allocated	Number of Entries		
102	\$188.23	31		
169	\$575.20	100		
212	\$669.59	146		
235	\$3.74	1		
240	\$204.30	28		
290	\$1,305.79	262		
373	\$253.90	70		
377	\$150.64	22		
384	\$1,043.03	258		
425	\$7.25	1		
443	\$30.98	2		
485	\$52.33	8		
501	\$23.13	1		
524	\$1,177.27	200		
526	\$57.29	13		
536	(\$0.80)	2		
618	\$34.87	4		
621	\$49.34	5		
736	\$99.99	16		
752	\$98.34	10		
867	(\$18.25)	1		
873	\$12.86	1		
936	\$312.21	72		
954	\$490.63	104		
963	\$24.19	2		
	\$6,846.05	1,360		

POLICE DISTRICT RESULTS

Tax Code	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
102	Alachua	\$26.14	\$0.00	\$26.14
106	Altamonte Springs	\$3.78	\$0.00	\$3.78
118	Apopka	\$29.42	\$0.00	\$29.42
119	Arcadia	\$155.63	\$0.00	\$155.63
128	Atlantic Beach	\$1.41	\$0.00	\$1.41
130	Auburndale	\$67.50	\$0.00	\$67.50
134	Avon Park	\$185.21	\$0.00	\$185.21
148	Bartow	\$96.97	\$0.00	\$96.97
167	Belleair	\$0.00	\$0.82	(\$0.82)
169	Belleview	\$91.32	\$0.00	\$91.32
183	Boca Raton	\$4.66	\$0.00	\$4.66
191	Boynton Beach	\$20.05	\$0.00	\$20.05
192	Bradenton	\$21.30	\$0.00	\$21.30
203	Brooksville	\$57.13	\$0.00	\$57.13
212	Bushnell	\$52.07	\$0.00	\$52.07
222	Cape Coral	\$0.00	\$0.72	(\$0.72)
229	Casselberry	\$0.60	\$0.00	\$0.60
240	Chipley	\$30.43	\$0.00	\$30.43
251	Clearwater	\$3.13	\$0.30	\$2.83
253	Clermont	\$151.71	\$0.00	\$151.71
257	Cocoa	\$7.22	\$0.00	\$7.22
278	Crescent City	\$2.04	\$0.00	\$2.04
279	Crestview	\$8.24	\$0.00	\$8.24
287	Dade City	\$12.77	\$0.00	\$12.77
288	Dania	\$0.00	\$2.37	(\$2.37)
292	Davie	\$0.00	\$1.63	(\$1.63)
293	Daytona Beach	\$10.55	\$0.00	\$10.55
298	Deland	\$55.72	\$0.00	\$55.72
317	Dunnellon	\$42.35	\$0.00	\$42.35
331	Edgewater	\$2.46	\$0.00	\$2.46
349	Eustis	\$79.51	\$0.00	\$79.51
359	Fernandina Beach	\$0.60	\$0.00	\$0.60
361	Flagler Beach	\$1.90	\$0.00	\$1.90
371	Fort Lauderdale	\$10.26	\$0.00	\$10.26
374	Fort Myers	\$82.95	\$0.00	\$82.95
377	Fort Pierce	\$29.32	\$0.00	\$29.32
379	Fort Walton Beach	\$4.76	\$0.00	\$4.76
384	Frostproof	\$149.58	\$0.00	\$149.58
387	Gainesville	\$85.22	\$0.00	\$85.22
415	Green Cove Springs	\$4.83	\$0.00	\$4.83
425	Gulfbreeze	\$2.59	\$0.00	\$2.59
431	Haines City	\$153.34	\$0.00	\$153.34
443	Hialeah Gardens	\$6.10	\$0.00	\$6.10
445	High Springs	\$42.52	\$0.00	\$42.52
459	Hollywood	\$1.26	\$0.00	\$1.26
464	Homestead	\$8.51	\$0.00	\$8.51
485	Inverness	\$10.31	\$0.00	\$10.31
491	Jacksonville (Consol.)	\$11.78	\$1.41	\$10.37
492	Jacksonville Beach	\$0.00	\$0.66	(\$0.66)
509	Key West	\$42.85	\$0.00	\$42.85

515	Kissimmee	\$279.66	\$0.00	\$279.66
524	Lady Lake	\$72.49	\$0.00	\$72.49
526	Lake Alfred	\$6.19	\$0.00	\$6.19
530	Lake City	\$87.39	\$0.00	\$87.39
544	Lake Wales	\$392.73	\$0.00	\$392.73
545	Lake Worth	\$1.90	\$0.00	\$1.90
546	Lakeland	\$546.57	\$0.00	\$546.57
552	Lantana	\$2.90	\$0.00	\$2.90
553	Largo	\$0.00	\$1.99	(\$1.99)
560	Leesburg	\$362.34	\$0.00	\$362.34
572	Live Oak	\$112.63	\$0.00	\$112.63
595	Madison	\$15.45	\$0.00	\$15.45
607	Marianna	\$43.15	\$0.00	\$43.15
620	Melbourne & Eau Gallie (Comb.)	\$14.21	\$0.00	\$14.21
621	Melbourne Beach	\$7.97	\$0.00	\$7.97
626	Miami	\$19.70	\$0.00	\$19.70
640	Milton	\$42.24	\$0.00	\$42.24
645	Miramar	\$1.97	\$0.00	\$1.97
655	Mount Dora	\$32.34	(\$0.34)	\$32.68
666	Naples	\$42.61	\$0.00	\$42.61
675	New Port Richey	\$7.53	\$0.00	\$7.53
690	North Port	\$4.04	\$0.00	\$4.04
695	Ocala	\$341.61	\$0.00	\$341.61
706	Okeechobee	\$288.94	\$0.00	\$288.94
722	Orange Park	\$2.26	\$0.00	\$2.26
725	Orlando	\$141.03	\$0.00	\$141.03
728	Ormond Beach	\$2.89	\$0.00	\$2.89
736	Oviedo	\$19.70	\$0.00	\$19.70
743	Palatka	\$19.04	\$0.00	\$19.04
744	Palm Bay	\$0.00	\$1.28	(\$1.28)
746	Palm Beach Gardens	\$1.98	\$0.00	\$1.98
752	Palmetto	\$14.60	\$0.00	\$14.60
754	Panama City	\$31.44	\$0.00	\$31.44
755	Panama City Beach	\$22.30	\$0.54	\$21.76
773	Pensacola	\$37.33	\$0.00	\$37.33
776	Perry	\$3.39	\$0.00	\$3.39
789	Plantation	\$0.00	\$1.85	(\$1.85)
790	Plant City	\$21.90	\$0.00	\$21.90
801	Port Orange	\$0.00	\$9.30	(\$9.30)
803	Port St. Joe	\$0.00	\$1.03	(\$1.03)
807	Port St. Lucie	\$0.00	\$6.79	(\$6.79)
811	Punta Gorda	\$20.02	\$0.00	\$20.02
816	Quincy	\$25.35	\$0.00	\$25.35
846	St. Augustine	\$68.47	\$0.00	\$68.47
849	St. Cloud	\$196.53	\$0.00	\$196.53
855	St. Petersburg	\$4.67	\$0.00	\$4.67
865	Sanford	\$5.57	\$0.00	\$5.57
869	Sarasota	\$29.00	\$0.00	\$29.00
874	Sebring	\$358.86	\$0.00	\$358.86
898	Springfield	\$0.00	\$2.63	(\$2.63)
900	Starke	\$11.66	\$0.00	\$11.66
916	Tallahassee	\$169.85	\$0.00	\$169.85
918	Tampa	\$25.57	\$0.00	\$25.57

921	Tavares	\$21.52	\$1.13	\$20.39
930	Titusville	\$2.99	\$0.00	\$2.99
936	Umatilla	\$37.11	\$0.00	\$37.11
941	Venice	\$8.25	\$0.00	\$8.25
944	Vero Beach	\$19.43	\$0.00	\$19.43
954	Wauchula	\$80.03	\$0.00	\$80.03
963	West Melbourne	\$0.00	\$1.40	(\$1.40)
966	West Palm Beach	\$0.06	\$0.00	\$0.06
975	Wildwood	\$82.58	\$0.00	\$82.58
984	Winter Garden	\$10.35	\$0.00	\$10.35
985	Winter Haven	\$182.04	\$7.14	\$174.90
986	Winter Park	\$3.16	\$0.00	\$3.16
999	Not In A Tax Territory	\$17.59	\$6,867.85	(\$6,850.26)
1000	Invalid Police Officer Tax Code or None Listed	\$617.42	\$0.00	\$617.42
	TOTALS	\$6,910.50	\$6,910.50	\$0.00
Summary of Invalid Police Officer Tax Code 1000	Over Allocated	Number of Entries		
021	\$6.09	4		
210	\$17.63	13		
235	\$0.74	1		.
238	\$13.06	10		
290	\$257.11	262		
316	\$3.60	2		
373	\$50.00	70		
385	\$63.61	74		
438	\$33.47	24		
521	\$111.53	111		
592	\$42.38	41		
709	\$4.55	2		
844	\$9.64	4		
875	\$0.53	1		
896	\$3.48	1		
	\$617.42	620		

IV. COMMENTS AND CORRECTIVE ACTION

Based on its review of the policy information of Foremost Signature Insurance Company and the 1998 Report filed by the Company with the Florida Department of Revenue, the Department has determined that the report filed with the Florida Department of Revenue is inaccurate. Errors were found in 55% or 13,502 of the 24,592 reviewed representing \$36,944.19 and \$6,910.50 in misallocated funds to individual Firefighters' and Police Officers' Pension Trust Funds, respectively.

Foremost Signature Insurance Company is directed to take the following corrective actions:

- 1. File a corrected 1998 DR-908 report with the Florida Department of Revenue.**
- 2. Modify procedures for preparing reports to the Florida Department of Revenue to allow for accurate reporting.**
- 3. Provide documentation that these corrective actions have been completed to the Department of Insurance within 90 days of the issuance of this Report.**