

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

GUIDEONE ELITE INSURANCE COMPANY  
(THE GUIDEONE FINANCIAL GROUP, INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

DATE FILED: 2/20/02

## 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	6
	A.    PRIVATE PASSENGER AUTOMOBILE	6
	B.    COMMERCIAL PACKAGE	9
V.	AGENTS/MGA REVIEW	11
VI.	PENDING ISSUES	12
VII.	EXHIBITS	13

## I. INTRODUCTION

Guideone Elite Insurance Company (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 2000 to March 2001. The examination began April 15, 2001 and ended May 19, 2001. This is the first property and casualty market conduct examination, by the Florida Department of Insurance, of this insurer.

The purpose of this target examination was to review the marketing practices of the Company to verify compliance with Florida Statutes and Rules, specifically related to the movement of business to the Company from other insurers.

During this examination, records reviewed included private passenger automobile policies, commercial package policies and agent licensing for the period of January 2000 through March 2001, 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, make all necessary filings with the Department and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes/Rules.

## II. PRE-EXAM REVIEW OF COMPANY 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 the 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

Guideone Elite Insurance Company, formerly known as Preferred Abstainers Insurance Company, is a stock company wholly-owned by Guideone Property and Casualty Company, a subsidiary of Guideone Mutual Company. On January 6, 1998, the Board of Directors changed the name to Guidant Elite Insurance Company. The Company made a final change from Guidant Elite to Guideone Elite to avoid a name conflict with a non-insurance industry company.

The Company markets its products primarily through independent agents, with a small percentage of business being written through company-employed, career agents.

The Company's website can be accessed at [www.guideone.com](http://www.guideone.com).

The Company uses inhouse staff adjusters to handle all automobile material damage and property damage liability claims. They also handle commercial package property claims. Florida resident adjusters are employed by the Company to handle bodily injury, uninsured motorist and general liability claims. The Company uses independent adjusters for assignments including scene photos, appraisals and property estimates.

The Company's home office is located at 1111 Ashworth Road, West Des Moines, Iowa 50265. There are no regional or branch offices in Florida.

B. MANAGEMENT

1. Company Computer System

The Company computer system utilizes both a local area network (LAN) and a wide area network (WAN) to allow employees to access e-mail, administrative systems and other on-line resources needed to perform job functions. The Company also utilizes the Internet as a communication tool with its agents to facilitate business transactions.

2. Anti-Fraud Plan

The Company trains its claims adjusters to identify and then refer cases of suspected fraud to the Special Investigation Unit located in its home office in West Des Moines, Iowa. Claim files involving suspected and documented fraud are then referred by the Special Investigation Unit to the National Insurance Crime Bureau and also to the Florida Division of Insurance Fraud. The Company's Florida Anti-Fraud Plan has been filed with the Florida Division of Insurance Fraud as required by Section 626.9891, Florida Statutes.

3. Disaster Recovery Plan

The Company has a disaster recovery plan which details the strategies, procedures and resources the Company will use to respond to any long-term interruption to its essential business functions.

The plan highlights and coordinates the main issues and steps to be taken if a disaster impacts the Company.

4. Internal Audit Plan

The Company has an Internal Audit Department to evaluate procedures and employees' compliance with procedures. Audits conducted by this department review accounting records to control and minimize loss due to theft. Periodically, this department also reviews samples of claim files to substantiate proper authorization and documentation.

C. OPERATIONS

Guideone Elite Insurance Company writes the following lines of coverage in the State of Florida: private passenger automobile, commercial package, business automobile and commercial umbrella. Marketing is handled through independent insurance agents as well as company-employed, career agents.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

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

b. Form Filings

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

c. Statistical Affiliation

The National Association of Independent Insurers (NAII) 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>
2000	\$323,415	1,024
2001	\$353,513	1,097

The Company began writing private passenger automobile insurance in the State of Florida in January 2000. The premiums and policy count for 2001 reflect only the policies written during the first three months.

3. Exam Findings

Seventy-seven (77) policy files were examined.

One hundred ninety-one (191) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Forty (40) errors were due to the Company accepting "transfer" business from agencies wherein the prior policies were written in companies not controlled by the same holding company as required under Section 627.728, Florida Statutes. This constitutes a violation of Section 626.9541, Florida Statutes. This practice constitutes an unfair business practice resulting in unfair competition. The policies were "transferred" when, in fact, they were new business. Exhibit III.
2. Forty (40) errors were due to failure to follow the filed rates, rating schedules, rating rules or underwriting guidelines. This constitutes a violation of Section 627.0651, Florida Statutes. The Company failed to check the prior three-year driving record of any "transfer" business as required by its underwriting guidelines.
3. Thirty (30) errors were due to failure to offer/obtain/maintain signed uninsured motorist acceptance/rejection forms. This constitutes a violation of Section 627.727, Florida Statutes. The Company failed to obtain signed uninsured motorist forms on any "transfer" business.

4. Forty (40) errors were due to failure to initially collect two months premium. This constitutes a violation of Section 627.7295, Florida Statutes. The Company issued policies on all "transfer" business without collecting any premium.
5. Forty-one (41) errors were due to failure to comply with personal injury protection coverage requirements. This constitutes a violation of Section 627.739, Florida Statutes. The Company failed to offer personal injury protection options on any "transfer" business.

B. COMMERCIAL PACKAGE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Guideone Elite Insurance Company independently files rules/rates in accordance with Section 627.0621, Florida Statutes.

b. Form Filings

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

c. Statistical Affiliation

The National Association of Independent Insurers (NAII) 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>
2000	\$5,665,026	2,885
2001	\$1,594,525	812

The premiums and policy count for 2001 reflect only the policies written during the first three months.

3. Exam Findings

Twenty-five (25) policy files were examined.

No errors were found.

V. AGENTS/MGA REVIEW

Fifty (50) policies written during the scope of the examination were examined.

Six (6) errors were found.

None of the errors affected policy fees.

The errors are broken down as follows:

1. Six (6) errors were due to use of unappointed agents. This constitutes a violation of Section 626.112, Florida Statutes.

VI. PENDING ISSUES

The following issues were pending at the conclusion of the examination field work:

1. During the Agent/MGA Review, it was determined that the Company had failed to appoint four (4) agents. The Company was given a directive to appoint these agents within thirty (30) days of notification by the examiner. Exhibit I.

The unappointed agents and corresponding agencies are as follows:

Carol Carlough	Carlisle Fields & Company Ins.
Roxanne Zawko	Carlisle Fields & Company Ins.
Verda Beachey	Mutual Aid Services
Rachel Ferguson	Mutual Aid Services

2. The Company is directed to cease the "transfer" of business practice and treat policies moved from another company that is not under the same holding company control as required by Section 627.728, Florida Statutes, as new business applicants. Confirmation of this agreement is to be provided to the Department, in writing, within ninety (90) days of the receipt of this examination report.

IX. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
DIRECTIVE TO COMPANY ON UNAPPOINTED AGENTS	I
DIRECTIVE TO COMPANY ON TRANSFER BUSINESS	II