



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT EXAMINATION FINAL REPORT OF THE IMPERIAL FIRE AND CASUALTY INSURANCE COMPANY

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EXECUTIVE SUMMARY

A target market conduct examination of the Imperial Fire and Casualty Insurance Company was performed to determine insurer compliance with Market Conduct Annual Statement (MCAS) reporting of the company's transactions and affairs. MCAS reporting provides participating MCAS states with a uniform method of collecting key data elements from insurers. MCAS data is provided and maintained under confidentiality agreements. The examination determined the Company made 6 report line errors in the filing of the 2011 MCAS Private Passenger Automobile Report, 5 errors in the filing of the 2012 MCAS Private Passenger Automobile Report and, 14 errors maintaining complete records of complaints received from consumers.

PURPOSE AND SCOPE OF EXAMINATION

The Florida Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of the Imperial Fire and Casualty Insurance Company (hereinafter Imperial or Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Global Insurance Enterprises, Inc. The scope of the examination was January 1, 2011 through December 31, 2012. Field examination work began August 25, 2014, and ended August 29, 2014; Off-site analysis concluded April 10, 2015.

Examination procedures included reconciling policy data to the 2011 and 2012 Market Conduct Annual Statement Private Passenger Automobile Reports, reviewing samples of contracts and claims file attributes, the insurer Anti-Fraud Plan, Special Investigations Unit (SIU) descriptions filings, and consumer complaints.

This Report is based upon information obtained during the examination, research conducted by the Office and, additional information provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners (NAIC).

Company Background

Imperial Fire and Casualty Insurance Company is a foreign property and casualty insurer licensed in the state of Florida on June 27, 2006. The Company is a producer in 20 U.S. states providing Fire, Allied Lines, Homeowners Multi-Peril, Private Passenger Auto Liability, Commercial Auto Liability, and Auto Physical Damage coverages. In Florida, the Company is authorized to write Private Passenger Automobile Liability (PPA), PPA Physical Damage, and Allied Lines. Imperial is a member of the National General Holdings Corporation and is a wholly owned subsidiary of Imperial Management Corporation, of Louisiana. RAC Insurance Partners, LLC (a wholly owned subsidiary of Imperial Management Corporation) acts as the exclusive writer of Imperial policies in Florida providing premium collection and policy administration services to the Company. Policies are marketed through a network of independent agents. Direct written premiums in Florida represented 22.56%, 30.52%, 33.23%, and 42.68% of the total company direct written premiums written in 2014, 2013, 2012, and 2011, respectively.

Total Direct Written Premiums in the State of Florida and All Direct Written Premiums

Year	Florida Direct Written Premiums	All Direct Written Premiums	Percent of Total
2014	\$ 26,171,762	\$ 116,020,157	22.56%
2013	\$ 37,508,250	\$ 122,892,281	30.52%
2012	\$ 39,451,589	\$ 118,717,770	33.23%
2011	\$ 51,342,450	\$ 120,287,602	42.68%

File Review

File reviews consisted of sample testing of select reporting lines and reconciliation of the Company data sets to filed MCAS reports. The examiners reviewed information contained in the policy and claims administration systems and complaint logs.

MCAS Reporting

This examination reviewed the insurer’s MCAS processes and procedures for collecting, aggregating, and extracting data used in the filing of the 2011 and 2012 MCAS Private Passenger Automobile Reports. Each MCAS contains interrogatories, and those interrogatories for 2011 and 2012 are provided in the appendices of this report of examination. Instructions for completing reports are made available to insurers each year through the NAIC. All reports are attested to the completeness and accuracy of the submission. Such reports are filed in accordance with the requirements of Section 626.424, Florida Statutes.

Exam Procedures

The Company was asked to provide complete data sets for 2011 and 2012 MCAS Private Passenger Reports and for samples of selected reporting lines. Procedures for evaluating each report and line examined included reconciliation of the information provided against the company universe of files provided, analysis to determine accuracy of information reported and of the applicable contracts, and that data and files are maintained and reported in accordance with the Florida Insurance Code. The Company agrees with the examination findings except where noted. Findings are reported by exception basis.

2011 MCAS PRIVATE PASSENGER AUTO REPORT

MCAS Private Passenger Automobile reporting for calendar year 2011 consisted of responses to 57 interrogatories. The examiners selected 10 responses for sampling review and 38 responses for reconciliation review to the Company data sets. The examination identified 6 errors in the filing of the 2011 MCAS Private Passenger Automobile Report.

Suits During the Period

The examiners selected for testing a sample of 20 files from the Number of Suits Opened during the Period- Line 46 and a sample of 20 files from the Number of Suits Open at the End of the Period- Line 48.

The examiner’s analysis identified an error reporting the Number of Suits Opened during the Period- Line 46 and an error reporting the Number of Suits Open at the End of the Period- Line 48.

The Company agreed responding: "...the data used for MCAS reporting is not a live or production system, but is updated daily from the production system; it is not static. As a result, some data is subject to change from MCAS reporting date to any subsequent date that certain data may be extracted. Development has already begun to remedy this matter for future MCAS submissions."

Company Initiated Non-Renewals

The examiners selected for testing a sample of 20 files from the Number of Company-Initiated Non-Renewals during the Period- Line 53. The examiner's analysis identified an error reporting the Number of Company-Initiated Non-Renewals during the Period- Line 53.

The Company agreed responding: "...the data used for MCAS reporting is not a live or production system, but is updated daily from the production system; it is not static. As a result, some data is subject to change from MCAS reporting date to any subsequent date that certain data may be extracted. Development has already begun to remedy this matter for future MCAS submissions."

Company-Initiated Cancellations

The examiners selected for testing a sample of 20 files from the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company- Line 55, a sample of 20 files from the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company- Line 56. The examination reviewed the Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company- Line 57. The review of Line 57 was made concurrently with the data from the Number of Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company Line 56.

The examiner's analysis identified an error reporting the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company- Line 55, an error reporting the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company- Line 56 and, an error reporting the Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company- Line 57.

The Company disagrees with the examiner's conclusions based upon its interpretation of MCAS definitions. The Company acknowledges, however, that certain applications identified on Line 55 were uploaded (by agents) in error, down payments were same day flat cancelled and the policies never issued, or were flat cancelled due to duplicate coverage, or were cancellations for duplicate coverage received 60-90 days after effective date (Line 56).

Recommendation

The Office recommends the Company adopt policies and procedures to improve reporting accuracy.

2012 MCAS PRIVATE PASSENGER AUTO REPORT

MCAS Private Passenger Automobile reporting for the calendar year 2012 consisted of responses to 49 interrogatories. The examiners selected 11 responses for sampling review and 38 responses for reconciliation review to the Company data sets. The review identified 5 errors in the filing of the 2012 MCAS Private Passenger Automobile Report.

Suits During the Period

The examination reviewed the Number of Suits Open at the Beginning of the Period- Line 36. The examiners selected for testing a sample of 20 files from the Number of Suits Closed during the Period- Line 38 and a sample of 20 files from the Number of Suits Open at End of Period- Line 39.

The examination identified an error reporting the Number of Suits Open at the Beginning of the Period- Line 36 and an error reporting the Number of Suits Open at the End of the Period- Line 39.

The Company agrees with the examination findings identified on Line 36 and Line 39 responding "...the data used for MCAS reporting is not a live or production system, but is updated daily from the production system; it is not static. As a result, some data is subject to change from MCAS reporting date to any subsequent date that certain data may be extracted. Development has already begun to remedy this matter for future MCAS submissions."

Company Initiated Non-Renewals

The examiners selected for testing a sample of 20 files from the Number of Company-Initiated Non-Renewals during the Period- Line 44. The examiners identified an error reporting the Number of Company-Initiated Non-Renewals during the Period.

The Company agrees with the findings responding: "...the data used for MCAS reporting is not a live or production system, but is updated daily from the production system; it is not static. As a result, some data is subject to change from MCAS reporting date to any subsequent date that certain data may be extracted. Development has already begun to remedy this matter for future MCAS submissions."

Company Initiated Cancellations

The examiners selected for testing a sample of 20 files from the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company- Line 46 and a sample of 20 files from the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company- Line 47.

The examiner's analysis identified an error reporting the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company- Line 46 and an error reporting the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company- Line 47.

The Company responded it agrees with certain findings identified on Line 46 and disagrees with the examiners conclusions with other files, responding: "Based on the Company's interpretation of the MCAS definitions, we feel [these] cancellations were properly reported. The cancellations were effective in 2012 within the first 59 days from the original effective date of coverage."

The Company acknowledged the examiners identified applications reported on Line 46 that were uploaded (by agents) in error in which down payments were same day flat cancelled and the policies never issued, or were flat cancelled due to duplicate coverage, or were cancellations for duplicate coverage received 60-90 days after effective date (Line 47).

The Company disagrees with the examiners conclusions (Line 47) in regards to policies identified, responding: “the cancellations identified were effective...in 2012, (during the reporting period); however, [they] were issued within the first 59 days, and should have been reported on Line 46.”

The examination identifies policies in which the cancellation issue date(s) were not issued during the reporting period and should have not been reported on the 2012 MCAS Report Line 47.

Complaints

The examiners selected for testing a sample of 10 files from the Number of Complaints Received Directly from Consumers- Line 49. The examiners analysis identified an error on Line 49 reporting the Number of Complaints Received Directly from Consumers.

Recommendation

The Office recommends the Company adopt policies and procedures to improve reporting accuracy.

COMPLAINT REGISTERS

The examiners reconciled the 2010 through 2012 Florida Department of Financial Services Division of Consumer Services (FLDFS) complaint records to the Company register of complaints received directly from consumers. The examination identified 14 errors in which the Company register of complaints received directly from consumers does not agree with the FLDFS records. Section 626.9541(1)(j), Florida Statutes, stipulates the insurer maintain complete records of all complaints received.

Recommendation

The Office recommends the Company adopt policies and procedures to improve complaint register recordkeeping.

ANTI-FRAUD PLAN

The Company files an Anti-Fraud Plan with the Florida Department of Financial Services, Division of Insurance Fraud (Division). Special Investigations Unit (SIU) descriptions filings are made to the Division electronically. The Company Anti-Fraud Plan and SIU filings for the scope period through the on-site date were reviewed. The examiners determined the Company records appear in compliance with Section 626.9891, Florida Statutes, and Rule 69D-2, Florida Administrative Code.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.

Appendix A

Line	Interrogatories 2011 MCAS Private Passenger Automobile
01/02	Does the Company have Data to Report for Collision?
03/04	Does the Company have Data to Report for Comprehensive?
05/06	Does the Company have Data to Report for Bodily Injury?
07/08	Does the Company have Data to Report for Property Damage?
09/10	Does the Company have Data to Report for UMBI and UIMBI?
11/12	Does the Company have Data to Report for UMPD and UIMPD?
13/14	Does the Company have Data to Report for Medical Payments?
15/16	Does the Company have Data to Report for Combined Single Limits?
17/18	Does the Company have Data to Report for Personal Injury Protection?
19	Was the Company Actively Writing Policies in the State at Year End?
20/21	Did the Company have a Significant Event or Business Strategy Change that Would Affect Data for this Reporting Period?
22/23	Has All or Part of this Block of Business Been Sold, Closed, or Moved to Another Company during the Year?
24	How Does the Company Treat Supplemental or Additional Payments on Previously Reported Claims?
25	Additional State Specific Claims Comments (Optional):
26	Additional State Specific Underwriting Comments (Optional):
27	Number of Claims Open at the Beginning of the Period:
28	Number of Claims Opened during the Period:
29	Number of Claims Closed with Payment during the Period:
30	Number of Claims Closed without Payment during the Period:
31	Number of Claims Remaining Open at the End of the Period:
32	Median Days to Final Payment:
33	Number of Claims Closed with Payment within 0-30 Days:
34	Number of Claims Closed with Payment within 31-60 Days:
35	Number of Claims Closed with Payment within 61-90 Days:
36	Number of Claims Closed with Payment within 91-180 Days:
37	Number of Claims Closed with Payment within 181-365 Days:
38	Number of Claims Closed with Payment within beyond 365 Days:
39	Number of Claims Closed without Payment within 0-30 Days:
40	Number of Claims Closed without Payment within 31-60 Days:
41	Number of Claims Closed without Payment within 61-90 Days:
42	Number of Claims Closed without Payment within 91-180 Days:
43	Number of Claims Closed without Payment within 181-365 Days:

Line	Interrogatories 2011 MCAS Private Passenger Automobile (cont)
44	Number of Claims Closed without Payment beyond 365 Days:
45	Number of Suits Open at the Beginning of the Period:
46	Number of Suits Opened during the Period:
47	Number of Suits Closed during the Period:
48	Number of Suits Open at End of Period:
38	Number of Claims Closed with Payment within beyond 365 Days:
39	Number of Claims Closed without Payment within 0-30 Days:
40	Number of Claims Closed without Payment within 31-60 Days:
41	Number of Claims Closed without Payment within 61-90 Days:
42	Number of Claims Closed without Payment within 91-180 Days:
43	Number of Claims Closed without Payment within 181-365 Days:
44	Number of Claims Closed without Payment beyond 365 Days:
45	Number of Suits Open at the Beginning of the Period:
46	Number of Suits Opened during the Period:
47	Number of Suits Closed during the Period:
48	Number of Suits Open at End of Period:
49	Number of Autos which have Policies In-Force at the End of the Period:
50	Number of Policies In-Force at the End of the Period:
51	Number of New Policies Written during the Period:
52	Dollar Amount of Direct Written Premium during the Period:
53	Number of Company-Initiated Non-Renewals during the Period:
54	Number of Cancellations for Non-Pay, Non-Sufficient Funds or Insured's Request:
55	Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company:
56	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company:
57	Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company:

Appendix B

Line	Interrogatories MCAS Private Passenger Automobile
01	Does the Company have Data to Report for Collision?
02	Does the Company have Data to Report for Comprehensive?
03	Does the Company have Data to Report for Bodily Injury?
04	Does the Company have Data to Report for Property Damage?
05	Does the Company have Data to Report for UMBI and UIMBI?
06	Does the Company have Data to Report for UMPD and UIMPD?
07	Does the Company have Data to Report for Medical Payments?
08	Does the Company have Data to Report for Combined Single Limits?
09	Does the Company have Data to Report for Personal Injury Protection?
10	Was the Company Actively Writing Policies in the State at Year End?
11/12	Did the Company have a Significant Event or Business Strategy Change that Would Affect Data for this Reporting Period?
13/14	Has All or Part of This Block of Business Been Sold, Closed, or Moved to Another Company during the Year?
15	How Does the Company Treat Supplemental or Additional Payments on Previously Reported Claims?
16	Additional State Specific Claims Comments (Optional):
17	Additional State Specific Underwriting Comments (Optional):
18	Number of Claims Open at the Beginning of the Period:
19	Number of Claims Opened during the Period:
20	Number of Claims Closed with Payment during the Period:
21	Number of Claims Closed without Payment during the Period:
22	Number of Claims Remaining Open at the End of the Period:
23	Median Days to Final Payment:
24	Number of Claims Closed with Payment within 0-30 Days:
25	Number of Claims Closed with Payment within 31-60 Days:
26	Number of Claims Closed with Payment within 61-90 Days:
27	Number of Claims Closed with Payment within 91-180 Days:
28	Number of Claims Closed with Payment within 181-365 Days:
29	Number of Claims Closed with Payment within beyond 365 Days:
30	Number of Claims Closed without Payment within 0-30 Days:
31	Number of Claims Closed without Payment within 31-60 Days:
32	Number of Claims Closed without Payment within 61-90 Days:
33	Number of Claims Closed without Payment within 91-180 Days:
34	Number of Claims Closed without Payment within 181-365 Days:

Interrogatories	
2012 MCAS Private Passenger Automobile (cont)	
Line	
35	Number of Claims Closed without Payment beyond 365 Days:
36	Number of Suits Open at the Beginning of the Period:
37	Number of Suits Opened during the Period:
38	Number of Suits Closed during the Period:
39	Number of Suits Open at End of Period:
40	Number of Autos which have Policies In-Force at the End of the Period:
41	Number of Policies In-Force at the End of the Period:
42	Number of New Policies Written during the Period
43	Dollar Amount of Direct Written Premium during the Period:
44	Number of Company-Initiated Non-Renewals during the Period:
45	Number of Cancellations for Non-Pay, Non-Sufficient Funds or Insured's Request:
46	Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company:
47	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company:
48	Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company:
49	Number of Complaints Received Directly From Consumers:

FORM 118

**FINANCIAL SERVICES COMMISSION
OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

I hereby certify that I am the officer in charge of the Florida business of:

Imperial Fire and Casualty Insurance Company

I have read the report of the Target Market Conduct Examination issued on

April 5, 2016

filed with the Office of Insurance Regulation. Any recommendations contained in the report will be considered within a reasonable time.

This form is hereby executed in compliance with Section 624.319(5), Florida Statutes.

Jeffrey Weissmann
Name

General Counsel & Secretary
Title

[Signature]
Signature

4/6/16
Date

CHRISTINA CAPPELLO
NOTARY PUBLIC-STATE OF NEW YORK
No. D1CA6324815
Qualified in New York County
My Commission Expires May 11, 2019

Sworn to and subscribed before me this 6
day of April, 2016

(SEAL)

NOTARY PUBLIC Christina Cappello
Signature

My commission expires May 11, 2019

This form is to be completed, notarized and returned to: Keith Nault, Senior Management Analyst I, Market Investigations, 200 East Gaines St., Larson Building, Tallahassee, Florida 32399-4210, within 30 days from receipt. If Form 118 is not returned to the Office within 30 days of receipt, this matter will be forwarded to our Legal Division for appropriate legal action.