

2000 TARGET PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

OCEAN HARBOR CASUALTY INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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## TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	CLAIMS REVIEW	2
III.	COMPLAINTS REVIEW	4
IV.	SUMMARY	9
V.	EXHIBITS	10

I. INTRODUCTION

Ocean Harbor Casualty Company 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 2000. The examination began April 9, 2000 and ended June 3, 2000. The last examination of this insurer was completed by the Florida Department of Insurance in December of 1998.

This examination was conducted for the purpose of determining compliance with Florida Statutes and Regulations. In addition, a random sampling of one hundred recently adjusted claim files were reviewed to determine if corrective measures had been implemented since the last examination by the Florida Department of Insurance.

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, 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, \$2,331.36 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

## II. CLAIMS REVIEW

One hundred (100) claims were examined.

Twenty-one (21) errors were found.

Three (3) errors resulted in underpayments totaling \$309.74.

The Company's internal claims handling procedures and reserving practices are described in Exhibit I.

The errors are broken down as follows:

1. Six (6) errors were due to failure to acknowledge communications with regards to claims within 14 days. One (1) of these errors resulted in an underpayment of \$78.51, which has been paid by the Company. This constitutes a violation of Rule 4-166.024, Florida Administrative Code.
2. Two (2) errors were due to failure to pay sales tax on a total loss. This constitutes a violation of Rule 4-166.026, Florida Administrative Code. These errors resulted in underpayments totaling \$231.23, which have been paid by the Company.
3. Three (3) errors were due to failure to surrender title on a total loss to the Department of Motor Vehicles. This constitutes a violation of Section 319.30, Florida Statutes.
4. Two (2) errors were due to a failure to acknowledge a responsibility to pay for loss of use as a result of property damage claims. This constitutes a violation of Section 626.9541, Florida Statutes.
5. Two (2) errors were due to failure to advise the claimants of the ability and procedures to be followed to collect sales tax on a total loss. This constitutes a violation of Rule 4-166.026, Florida Administrative Code.
6. Two (2) errors were due to failure to respond to a request for disclosure. This constitutes a violation of Section 627.4137, Florida Statutes.

7. One (1) error was due to failure to send a Reservation of Rights letter in a timely fashion. This constitutes a violation of Section 627.426, Florida Statutes.
8. One (1) error was due to failure to pay interest on a late payment. This constitutes a violation of Section 627.4265, Florida Statutes.
9. Three (3) errors were due to failure to check for lienholders on total loss automobile claims. This constitutes a violation of Section 627.743, Florida Statutes.

### III. COMPLAINTS REVIEW

Forty-three (43) complaint files were examined.

Sixty-two (62) errors were found.

Six (6) errors resulted in underpayments totaling \$2,021.62.

Complaint handling procedures are described in Exhibit II. The Company failed to maintain a complaint log containing all written communication primarily expressing a grievance. This constitutes a violation of Section 626.9541, Florida Statutes.

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

1. Department of Insurance File S-9900-0002217; claim handling delay; Violation of Section 626.9541, Florida Statutes.
2. Department of Insurance File S-9900-0008640; claims handling delay; Violation of Section 626.9541, Florida Statutes.
3. Department of Insurance File S-9900-0001117; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.025, Florida Administrative Code. This error resulted in an underpayment of \$477.86, which has been refunded by the Company.
4. Department of Insurance File S9900-0005465; claim handling delay; Violation of Section 626.9541, Florida Statutes, Rule 4-166.025, Florida Administrative Code and Rule 4-166.024, Florida Administrative Code.

5. Department of Insurance File S-09900-0001127; claim handling delay; Violation of Section 626.9541, Florida Statutes.
6. Department of Insurance File S-9900-0004532; claim handling delay; Violation of Section 626.9541, Florida Statutes.
7. Department of Insurance File S-9900-0025410; claim handling delay; Violation of Section 626.9541, Florida Statutes.
8. Department of Insurance File S9900-0005741; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.025, Florida Administrative Code. This error resulted in an underpayment of \$415.31, which has been refunded by the Company.
9. Department of Insurance File S9900-0006383; claim handling delay; Violation of Section 626.9541, Florida Statutes, and Rule 4-166.025, Florida Administrative Code. This error resulted in an underpayment of \$54.24, which has been refunded by the Company.
10. Department of Insurance File S-9900-0003065; claim handling delay; Violation of Section 626.9541, and Rule 4-166.025, Florida Administrative Code.
11. Department of Insurance File S9900-0000298; claim handling delay; Violation of Sections 626.9541, 627.743, and 319.30, Florida Statutes.
12. Department of Insurance File S-9900-0035690; claim handling delay; Violation of Section 627.743, Florida Statutes.
13. Department of Insurance File S-9900-0014202; claim handling delay; Violation of Section 626.9541, Florida Statutes.

14. Department of Insurance File S-9900-0036844; claim handling delay; No violation was found.
15. Department of Insurance File S-9900-0036844; claim handling delay; Violation of Section 626.9541, Florida Statutes.
16. Department of Insurance File S-9900-0026444; claim handling delay; Violation of Section 626.9541, Florida Statutes.
17. Department of Insurance File S-9900-0025660; claim handling delay; Violation of Section 626.9541, Florida Statutes.
18. Department of Insurance File S9900-0042212; claim handling delay; Violation of Sections 626.9541, 627.743, and 319.30, Florida Statutes.
19. Department of Insurance File S-9900-0041537; claim handling delay; Violation of Sections 626.9541, Florida Statutes, and Rule 4-166.024, Florida Administrative Code.
20. Department of Insurance File S-9900-0002613; claim handling delay; Violation of Sections 626.9541, 627.743, Florida Statutes and Rule 4-166.025, Florida Administrative Code.
21. Department of Insurance File S-9900-0009883; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.025 Florida Administrative Code.
22. Department of Insurance File S9900-0001556; claim handling delay; Violation of Section 626.9541, Florida Statute and Rule 4-166.025, Florida Administrative Code.
23. Department of Insurance File S-9900-0009332; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.025, Florida Administrative Code.

24. Department of Insurance File S-9900-0014038; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.025, Florida Administrative Code.
25. Department of Insurance File S-9900-0008331; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.025, Florida Administrative Code. This error resulted in an underpayment of \$41.39, which has been refunded by the Company.
26. Department of Insurance File S-9900-0043627; claim handling delay; Violation of Section 626.9541, Florida Statutes.
27. Department of Insurance File S-9900-0037685; claim handling delay; Violation of Rule 4-166.024, Florida Administrative Code.
28. Department of Insurance File S-9900-0042689; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.024, Florida Administrative Code.
29. Department of Insurance File S9900-0017998; claim handling delay; Violation of Section 626.9541, Florida Statutes.
30. Department of Insurance File S-9900-0021825; claim handling delay; Violation of Sections 627.743, 319.30, and 626.9541, Florida Statutes. This error resulted in an underpayment of \$175.00, which has been refunded by the Company.
31. Department of Insurance File S-9900-0018132; claim handling delay; No violation.
32. Department of Insurance File S-9900-0017688; claim handling delay; Violation of Section 626.9541, Florida Statutes and Rule 4-166.025, Florida Administrative Code.

33. Department of Insurance File S-9900-0024248; claim handling delay; No violation.
34. Department of Insurance File S-9900-0031711; claim handling delay; Violation of Rule 4-166.027, Florida Administrative Code.
35. Department of Insurance File 9900-0004926; Company was unable to locate this file; Violation of Section 627.318, Florida Statutes.
36. Department of Insurance File S-9900-0050022; claim handling delay; Violation of Section 626.9541, Florida Statutes. This error resulted in an underpayment of \$857.88, which has been refunded by the Company.
37. Department of Insurance File S-9900-0051665; claim handling delay; No violation.
38. Department of Insurance File S-9900-0052721; claim handling delay; No violation.
39. Department of Insurance File S-9900-0050654; claim handling delay; Violation of Section 626.9541, Florida Statutes.
40. Department of Insurance File S-9900-0057047; claim handling delay; No violation.
41. Department of Insurance File S-9900-0055162; claim handling delay; No violation.

#### IV. SUMMARY

Attached as Exhibit III is a copy of a letter from the Company discussing changes they are making in hopes of reducing the amount of complaints being received.

This examination reviewed both complaint files and a random selection of claim files from 1999 to 2000. During the review of the claims files, it was noted that the more recent complaints had fewer violations; however, continued improvements are still needed, particularly as it relates to third party losses. A re-examination in six months is recommended.

V. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS PROCEDURES	I
COMPLAINT PROCEDURES	II
COMPANY CHANGES	III