

2002 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

**OMNI INSURANCE COMPANY
(THE HARTFORD FINANCIAL SERVICES GROUP)**

BY

THE OFFICE OF INSURANCE REGULATION

FILED DATE: 3/17/03



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EXECUTIVE SUMMARY

Omni 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. The scope of this examination was January 2001 through October 2002. The examination began on June 16, 2002 and ended on October 19, 2002. The examination was suspended from August 3, 2002 to August 25, 2002 and again suspended from September 7, 2002 to September 21, 2002 due to special projects required of the examiner unrelated to this examination. The last property and casualty market conduct examination of this insurer by the Florida Department of Insurance was concluded in March 1996.

The purpose of this examination was to review the issues behind the volume of consumer complaints received by the Department of Insurance and to verify that business practices of the Company are in compliance with Florida Statutes and Rules. From a review of the consumer complaints filed against the Company, the Department focused on claim delays, claim denials, claim settlements, reasons for cancellations/nonrenewals, and premium issues.

A total of three hundred seventy-five (375) files were examined for this Company. There were twenty-three (23) errors identified. The following represents general findings; however, specific details are found in each section of the report.

Files Reviewed

- Sixty-five (65) complaint files
- One hundred (100) private passenger automobile files
- One hundred (100) cancellation and nonrenewals
- Eighty (80) claim files
- Thirty (30) agent/agency files

Findings

- Private Passenger Automobile – eight (8) errors
 - Failure to allow safety discounts
 - Use of incorrect territories
 - Use of incorrect surcharge
- Cancellations and nonrenewals – five (5) errors
 - Failure to comply with return of unearned premium requirements
- Complaints – three (3) errors
 - Failure to respond timely
 - Failure to make PIP payment timely
 - Failure to affix fraud statement to theft affidavit

- Claims – seven (7) errors
 - Failure to properly adjust claims
 - Failure to comply with PIP benefit requirements

Corrective Actions

- The Company was requested to review all insured requests for cancellation processed since January 1, 2001 through present, to determine if the correct cancellation effective date was used and refund underpayments to insureds, including 8% interest to those policies found with incorrect cancellation effective dates. See Pending Issues Section.

The Company was requested to complete all corrective actions within ninety (90) days of receipt of this examination report, with written documentation to the Department that the corrective action has been taken.

As a result of the findings of this examination, \$1,715.35 was returned to Florida consumers due to overcharges of premium, return of unearned premiums, and underpayments of claims. Additional refunds will be made by the Company due to the above-mentioned rerate request totaling approximately \$3,000. See Pending Issues Section.

CERTIFICATE OF AUTHORITY – AUTHORIZED LINES

GENERAL COMMENTS

The Certificate of Authority and Renewal Invoices were reviewed for all years within the scope of the examination.

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 lines of business that were discontinued.

No error was found.

COMPANY OPERATIONS/MANAGEMENT

HISTORY/MANAGEMENT

Omni Insurance Company was incorporated on June 30, 1980, under the laws of the State of Georgia. The Company changed its domicile from Georgia to Illinois in December 1994. On February 12, 1998, the Company was acquired by The Hartford Financial Services Group, Inc., which also owns Omni Indemnity Company. The Company received its original Certificate of Authority from the State of Florida in 1986.

The Company's home office is located at 2018 Powers Ferry Road, Atlanta, GA. The Company's website can be accessed at: www.thehartford.com.

COMPANY PROCESSES/STATISTICAL AFFILIATIONS

Computer System

The Company uses an AS400 system for both underwriting and claims. Access to Company's system is password protected.

Anti-Fraud Plan

The Company has filed a Plan with the Florida Department of Insurance as required by Section 626.9891, Florida Statutes.

The Plan does meet the requirements by establishing a Special Investigation Unit.

Disaster Recovery Plan

The Company has developed a Disaster Recovery Plan for use with Florida business. Policy and claim files are electronically duplicated and sent offsite for storage. The Company has contracted with SunGard Recovery Services, in Alpharetta, GA, to provide these services.

Internal Audit Procedures

The Company has developed Internal Audit Procedures for use in reviewing Florida business. The Company does periodic policy and claim file reviews for operational quality.

Privacy Plan

The Company has developed a Plan to meet the requirements of Rule 4-128.001. The Company provides a written Privacy Notice to each new and renewal policyholder.

Statistical Affiliations

The National Association of Independent Insurers (NAII) acts as the Company's official statistical agent.

Credit Reports

The Company does not use Credit Reports as an underwriting tool.

OPERATIONS/MARKETING

Marketing

Since August 1998, business is serviced through Value Underwriters, Inc., a licensed and appointed managing general agent located in Miami, Florida.

The Company discontinued writing new business in October 2001.

Agents/Agencies/MGA/Exchange of Business/Direct Response/Internet/Adjusters and Claims Handling

The Company is no longer writing new business private passenger automobile policies. They continue to renew policies in this Company. All new business is being written in Omni Indemnity Company.

Claims are handled by company licensed and appointed adjusters located in Atlanta, GA and several Florida cities.

Lines of Business

During the scope of the examination, the Company only renewed private passenger automobile policies.

REVIEW OF POLICIES

PRIVATE PASSENGER AUTOMOBILE

Description of Product/Lines of Business

The Company has independently filed its private passenger automobile program in the State of Florida.

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>
2001	4,021,674	4,095
2002*	2,980,370	3,035

* as of 5/31/02

The Company discontinued writing new business in October 2001. New business is now written only through Omni Indemnity Company, an affiliated company.

Examination Findings

One hundred (100) policy files were reviewed by the examiner.

Eight (8) errors were found.

Errors affecting premium resulted in eight (8) overcharges totaling \$1,282.00.

The errors are broken down as follows:

1. Five (5) errors were due to failure to allow safety discounts. This constitutes a violation of Section 627.0653, Florida Statutes. These errors were due to failure to apply air bag and anti-theft device credits. These errors resulted in five (5) overcharges totaling \$281.00, which have been refunded by the Company.
2. Two (2) errors were due to failure to follow the filed rates, rating schedule, rating rule or underwriting guidelines. This constitutes a violation of Section 627.0651, Florida Statutes. These errors were due to the use of incorrect surcharges. The conviction points that were applied were incorrect. These errors resulted in two (2) overcharges totaling \$335.00, which have been refunded by the Company.
3. One (1) error was due to failure to follow the filed rates, rating schedule, rating rule or underwriting guidelines. This constitutes a violation of Section 627.0651, Florida Statutes. This error was due to the use of an incorrect territory. This error resulted in an overcharge totaling \$666.00, which has been refunded by the Company.

CANCELLATIONS/NONRENEWALS REVIEW

DESCRIPTION OF CANCELLATION/NONRENEWAL PROCEDURES

Based upon the sample reviewed, cancellation/nonrenewal notices provide the minimum number of days required for the cancellation or nonrenewal. Notices are sent to the insured and lienholder when applicable. Return premiums are calculated as of the effective date of the cancellation. All cancellations are made on a pro-rata basis and/or 90% of pro-rata when canceled by the insured.

CANCELLATION REVIEW

Eighty (80) cancelled policies were examined. Fifty-eight (58) were Company cancellations and twenty-two (22) were insured requested cancellations.

Five (5) errors were found, which resulted in underreturns totaling \$601.48.

The errors are broken down as follows:

1. Five (5) errors were due to failure to comply with return of unearned premium requirements. This constitutes a violation of Section 627.7283, Florida Statutes, and is considered a business practice of the Company. These errors were due to the use of incorrect cancellation dates on insured requested cancellations with a lienholder. These errors resulted in underreturns totaling \$601.48. Three (3), totaling \$381.24, have been paid by the Company and two (2), totaling \$220.24, remain outstanding due to the Company still attempting to contact the insureds to obtain evidence of replacement coverage at the conclusion of the examination fieldwork. The Company was requested to review all insured requested cancellations with a lienholder, processed since January 1, 2001, through present, to determine if the correct cancellation effective date was used. Refunds should include 8% interest to those policies found with incorrect cancellation effective dates. Exhibit I. It has been estimated that approximately \$3,000 would be refunded to approximately 146 insureds.

NONRENEWAL REVIEW

Twenty (20) nonrenewed policies were examined.

No errors were found.

COMPLAINTS/INVESTIGATION REVIEW

A complete record of all the complaints received by the Company since the date of the last examination 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.

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

COMPLAINTS/INVESTIGATIONS REFERRED BY MARKET CONDUCT

Item Number	Alleged Violation	Violation Found	Comments
58	627.427	NONE	DEFAULT JUDGEMENT PAID
59	Improper cancellation	NONE	CAN NOTICE SENT CORRECTLY

Examination Findings

Two (2) complaint referrals from the DOI were examined.

No errors were found.

COMPLAINTS RECEIVED FROM DOI

Consumer Services Ref. No.	Alleged Violation	Violation Found	Comments
	CLAIM DELAY	NONE	CLAIM SETTLED
	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
S-0102-0030358	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0029238	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
31743	CIVIL REMEDY	NONE	INCORRECT ADDRESS USED
21677	CIVIL REMEDY	NONE	COMPANY POSITION UPHELD
S-0102-0039042	CLAIM DELAY	NONE	CLAIM SETTLED
S-0102-0025959	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0038054	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0020242	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0046146	CLAIM PAYMENT	NONE	CHECK ISSUED INCORRECTLY - CORRECT PAYMENT MADE
S-0001-0027777	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0009035	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
S-0102-0030796	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
S-0001-0038373	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0001-00003371	CLAIM DENIAL(RENTAL)	NONE	CLAIM SETTLED
S-0001-0046080	FAILURE TO DISCLOSE	NONE	INFORMATION PROVIDED TIMELY
S-0001-003913	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD

Consumer Services Ref. No.	Alleged Violation	Violation Found	Comments
S-0001-0035957	CLAIM DELAY	NONE	CLAIM SETTLED
22403	CIVIL REMEDY	NONE	CLAIM SETTLED
S-0001-0051245	CLAIM DELAY	NONE	NO COVERAGE
S-0102-0028132	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
21705	CIVIL REMEDY	NONE	CLAIM SETTLED
14466	CIVIL REMEDY	NONE	CLAIM SETTLED
S-0102-0017119	CLAIM DELAY	NONE	CLAIM SETTLED
S-0102-0006626	SURCHARGE	NONE	COMPANY POSITION UPHELD
S-0001-0031462	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0001-0045537	CLAIM DELAY	NONE	CLAIM SETTLED
01-094513PPA	CIVIL REMEDY	NONE	COMPANY POSITION UPHELD
S-0001-0052936	CLAIM DELAY	NONE	CLAIM SETTLED
10616	CIVIL REMEDY	NONE	COMPANY POSITION UPHELD
S-0102-0034767	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
S-0102-0030530	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0001-0053615	CIVIL REMEDY	NONE	COMPANY POSITION UPHELD
S-0001-0036226	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
S-0001-0032196	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0017143	CIVIL REMEDY	NONE	COMPANY POSITION UPHELD
S-0102-0032487	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0024384	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0013640	CLAIM DELAY	NONE	CLAIM SETTLED
S-0102-0050121	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
S-0001-0058231	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0001-0041509	CLAIM DELAY	817.234	FAILURE TO AFFIX THE FRAUD STATEMENT TO THE THEFT AFFIDAVIT
01-194808	CIVIL REMEDY	NONE	COMPANY POSITION UPHELD
01-243782P10	CIVIL REMEDY	627.4137	FAILURE TO RESPOND TIMELY
S-0001-0040970	CLAIM DELAY	NONE	CLAIM SETTLED
S-0102-0052600	CLAIM DENIAL	NONE	COMPANY POSITION UPHELD
S-0001-0061759	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0102-0025311	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-990-0066184	CLAIM DELAY	NONE	COMPANY POSITION UPHELD
S-0001-0041103	CANCELLATION DISPUTE	NONE	COMPANY POSITION UPHELD
S-0102-0026617	CANCELLATION DISPUTE	NONE	COMPANY POSITION UPHELD
S-0102-0037629	PREMIUM DISPUTE	NONE	COMPANY POSITION UPHELD
S-0102-0040736	CANCELLATION DISPUTE	NONE	COMPANY POSITION UPHELD
S-0102-0035704	CANCELLATION DISPUTE	NONE	COMPANY POSITION UPHELD
S-0102-0042433	CANCELLATION DISPUTE	NONE	COMPANY POSITION UPHELD
S-0102-0047178	CANCELLATION DISPUTE	NONE	COMPANY POSITION UPHELD

Examination Findings

Fifty-eight (58) DOI complaint files were examined.

Two (2) errors were found.

The errors are broken down as follows:

1. One (1) error was due to failure to affix fraud statement on claims forms. This constitutes a violation of Section 817.234, Florida Statutes. This error was due to the theft affidavit form not containing the required fraud statement.
2. One (1) error was due to failure to respond timely. This constitutes a violation of Section 627.4137, Florida Statutes. This error was due to not providing disclosure within 30 days of written request from claimant.

COMPLAINTS COMPANY RECEIVED FROM CONSUMERS

Item Number	Alleged Violation	Violation Found	Comments
60	Claim Denial - PIP	627.736	Failure to make PIP payment timely. Claim paid plus interest
61	Claim Delay - PIP	NONE	Company position upheld.
62	Claim Delay	NONE	Claim Settled
63	Claim Delay	NONE	Company position upheld
64	Claim Delay	NONE	Company position upheld
65	Claim delay	NONE	Claim Settled

Examination Findings

Six (6) company received consumer complaint files were examined.

One (1) error was found.

The error is described as follows:

1. One (1) error was due to failure to make PIP payment timely. This constitutes a violation of Section 627.736, Florida Statutes.

As indicated in the Executive Summary section of the report, this examination addressed the reasons behind the volume of consumer complaints filed against the Company. The complaints reviewed for this Company indicate no business practices in violation of Florida Statutes and Rules.

CLAIMS REVIEW

DESCRIPTION OF CLAIMS REVIEWED – NON-PPA/MEDICAL REVIEWS

Private passenger automobile claims reviewed included bodily injury, property damage, collision, comprehensive, uninsured motorists, and personal injury protection (PIP).

Examination Findings

Fifty (50) claims were examined.

Seven (7) errors were found.

Three (3) errors resulted in underpayments totaling \$52.11 and four (4) errors resulted in overpayments totaling \$221.40.

The errors are broken down as follows:

1. Five (5) errors were due to failure to properly adjust claims. This constitutes a violation of Section 626.877, Florida Statutes. These errors were due to incorrect sales tax calculations. These errors resulted in four (4) overpayments totaling \$221.40 and one (1) underpayment totaling \$50.00, which has been paid by the Company.
2. Two (2) errors were due to failure to comply with PIP benefit requirements. This constitutes a violation of Section 627.736, Florida Statutes. These errors were due to failure to include interest on overdue PIP claims. These errors resulted in two (2) underpayments totaling \$2.11, which have been paid by the Company.

DESCRIPTION OF CLAIMS REVIEWED – PPA/MEDICAL REVIEWS

Personal injury protection and bodily injury claims were reviewed.

Examination Findings

Thirty (30) claims were examined.

No errors were found.

AGENTS/MGA REVIEW/ADVERTISING/MARKETING

DESCRIPTION OF MGA ARRANGEMENTS

Value Underwriters, Inc., acts as the Company's managing general agent in the State of Florida. The MGA agreement is in compliance with Florida Statutes, and the MGA is properly licensed and appointed.

Examination Findings

Twenty (20) applications/policies written during the scope of examination were examined.

Ten (10) agencies with a direct written premium in excess of \$25,000 per year during the scope of the examination were examined.

No errors were found.

PENDING ISSUES

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

MONETARY ISSUES/CORRECTIVE ACTIONS

Cancellations/Nonrenewals

The Company was requested to review all insured requested cancellations processed since January 1, 2001 through the present, to determine if the correct cancellation effective date was used and refund underpayments to insureds, including 8% interest, to those policies found with incorrect cancellation effective dates. Exhibit I. It has been estimated that approximately \$3,000 would be refunded to approximately 146 insureds. In addition, two (2) underreturns totaling \$220.24 remain outstanding due to the Company still attempting to contact the insureds to obtain evidence of replacement coverage at the conclusion of the examination fieldwork. The Company was requested to complete this pending issue within ninety (90) days of receipt of this examination report, with written documentation to the Department that the corrective action has been taken.

EXHIBITS

SUBJECT

EXHIBIT NUMBER

**CANCELLATION/NONRENEWALS (INSURED REQUEST
CANCELLATIONS)**

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