

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

OWNERS INSURANCE COMPANY
(AUTO-OWNERS INSURANCE GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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I. INTRODUCTION

Owners Insurance Company is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 to December 1998. This examination began December 5, 1999 and ended February 19, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1995.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1996 through December 1998, 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, issue appropriate refunds, make all necessary filings with the Department and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes/Rules.

As a result of the findings for this examination, \$915.17 was returned to Florida consumers due to overcharges of premium and underpayments of claims.

II. PRE-EXAM REVIEW OF COMPANY'S 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. Error Percentages

The review included verification of the lines of business the Company was authorized to write during the scope of 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. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

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

b. Form Filings

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

c. Statistical Affiliation

Insurance Services Office 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>
1998	\$31,512,814	29,522
1997	\$30,616,169	30,350
1996	\$27,314,790	28,900

3. Exam Findings

Fifty (50) policy files were examined.

Twenty-five (25) errors were found.

Errors affecting premium resulted in one (1) overcharge totaling \$88.22 and one (1) undercharge totaling \$42.00.

The errors are broken down as follows:

1. Two (2) errors were due to the use of incorrect territories. These errors resulted in one (1) overcharge totaling \$88.22, which has been refunded by the Company and one (1) undercharge totaling \$42.00. This constitutes a violation of Section 627.0651, Florida Statutes.
2. Seven (7) errors were due to the use of obsolete Florida no-fault endorsement #79255 (6/92). Effective 5/12/98 this form was replaced by #79255 (12/97). This constitutes a violation of Section 627.412, Florida Statutes.

3. Sixteen (16) errors were due to failure to display the edition dates to forms listed as being attached to the policy on the declaration page. This constitutes a violation of Section 627.413, Florida Statutes.

B. HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Owners Insurance Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

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

c. Statistical Affiliation

National Independent Statistical Service (NISS) 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>
1998	\$ 9,075,733	15,256
1997	\$ 9,543,710	17,074
1996	\$10,086,741	18,227

3. Exam Findings

Fifty (50) policy files were examined.

Three (3) errors were found.

Errors affecting premium resulted in two (2) overcharges totaling \$550.07.

The errors are broken down as follows:

1. Two (2) errors were due to the use of incorrect territories. These errors resulted in overcharges totaling \$550.07, which have been refunded by the Company. This constitutes a violation of Section 627.062, Florida Statutes.
2. One (1) error was due to the use of an incorrect protection class. This constitutes a violation of Section 627.062, Florida Statutes.

C. MOBILE HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Owners Insurance Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

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

c. Statistical Affiliation

National Independent Statistical Service (NISS) 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>
1998	\$468,077	1,185
1997	\$554,695	1,365
1996	\$597,194	1,491

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

D. COMMERCIAL PACKAGE POLICIES

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Owners Insurance Company is a member of Insurance Services Office (ISO) and as such (ISO) is authorized to file rules/rates on the Company's behalf in accordance with Section 627.062, Florida Statutes. In addition, the Company does make some independent filings.

b. Form Filings

Owners Insurance Company is a member of Insurance Services Office (ISO) and as such (ISO) is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

National Independent Statistical Service (NISS) 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>
1998	\$6,074,300	2,077
1997	\$6,563,805	2,331
1996	\$7,142,300	2,612

3. Exam Findings

Fifty (50) policy files were examined.

Five (5) errors were found.

Errors affecting premium resulted in four (4) overcharges totaling \$202.00 and one (1) undercharge totaling \$58.00.

The errors are broken down as follows:

1. Three (3) errors were due to the use of incorrect general liability rates for class code 41668. These errors resulted in two (2) overcharges totaling \$67.00, which have been refunded by the Company, and an undercharge of \$58.00. This constitutes a violation of Section 627.062, Florida Statutes.
2. Two (2) errors were due to the use of incorrect protection classes. This resulted in overcharges totaling \$135.00, which have been refunded by the Company. This constitutes a violation of Section 627.062, Florida Statutes.

IV. AGENTS/MGA REVIEW

Thirty (30) applications/policies written during the scope of examination were examined.

Four (4) errors were found.

None of the errors affected policy fees.

The errors are broken down as follows:

1. Four (4) errors were due to failure to display the agent's license identification number on the applications. This error was brought to the Company's attention in the 1995 Examination, Private Passenger Automobile and Homeowners Sections, Pages 5 and 25. This constitutes a violation of Section 627.4085, Florida Statutes.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

No errors were found.

VI. CLAIMS REVIEW

Fifty (50) claims were examined.

Seven (7) errors were found.

Two (2) errors resulted in underpayments totaling \$74.88 and (5) errors resulted in overpayments totaling \$369.29.

The errors are broken down as follows:

1. Five (5) errors were due to applying the discretionary sales surtax to the total amount of the loss when this tax should have been applied to the first \$5000.00. These errors resulted in overpayments totaling \$369.29. This constitutes a violation of Rule 4-166.026, Florida Administrative Code.
2. Two (2) errors were due to the application of incorrect discretionary sales surtax for DeSoto and Jackson counties. These errors resulted in underpayments totaling \$74.88, which have been refunded by the Company. This constitutes a violation of Rule 4-166.026, Florida Administrative Code.

VII. COMPLAINTS 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.