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THE TREASURER OF THE STATE OF FLORIDA
DEPARTMENT OF INSURANCE

Treasurer and
Insurance Commissioner
Docketed by: SP

TOM GALLAGHER

IN THE MATTER OF:

CASE NO. 60097-02-CO

PREFERRED NATIONAL INSURANCE COMPANY

2000 Property and Casualty Market Conduct Examination

CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between **PREFERRED NATIONAL INSURANCE COMPANY**, hereinafter referred to as **PREFERRED NATIONAL** and the **FLORIDA DEPARTMENT OF INSURANCE**, hereinafter, referred to as the **DEPARTMENT**. Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the **DEPARTMENT**, hereby finds as follows:

1. The **DEPARTMENT**, has jurisdiction over the subject matter of, and parties to, this proceeding.
2. **PREFERRED NATIONAL** is a foreign property and casualty insurer authorized to transact insurance business in Florida and is subject to the jurisdiction and regulation of the **DEPARTMENT** pursuant to the Florida Insurance Code.
3. The **DEPARTMENT** conducted a property and casualty market conduct examination of **PREFERRED NATIONAL** covering the period of September 1997 through December 1999, pursuant to Section 624.3161, Florida Statutes. As a result of such examination, the **DEPARTMENT** determined that **PREFERRED NATIONAL**

committed the following violations of the Florida Insurance Code or Florida Administrative Code as outlined in total in the Fine Worksheet provided with the Report of Examination Findings:

a. Commercial Multi-Peril

1. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.
2. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Rating Factor.
3. Section 627.062, F.S.-Use of Unfiled Rate, Rating Schedule or Rating Rule-Loss Costs.
4. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Construction Type.
5. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Med Pay Rates.
6. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Rate Calculations.
7. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Deductible Factors.
8. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Premium Calculations.
9. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Non-Owned Rates.
10. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Liability Charges.
11. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Classification.
12. Section 627.318, F.S.-Failure to Maintain Records-Rating Worksheet.

b. Other Liability

1. Section 627.062, F.S.- Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Minimum Premium.
2. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Limits/Deductible Factors.
3. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Loss Costs.
4. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Premium Calculation.
5. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Incorrect Payroll.
6. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Receipts.
7. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Territory.
8. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Rating Errors.
9. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.
10. Rule 4-170.004, Failure to Document/Substantiate Debit/Credit.
11. Section 627.062, F.S.-Use of Unfiled Rate, Rating Schedule or Rating Rule.
12. Section 627.4133, F.S.-Failure to Provide Rates on an Auditable Policy.

c. Fidelity and Surety

1. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Classifications.
2. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Incorrect Rates.

3. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Preferred Rates.
 4. Section 627.318, F.S.-Failure to Maintain Records-Rating Worksheets.
- d. Agents/MGA
1. Section 627.4085, F.S.-Failure to Display Agent Name/License ID# or Insurer Name on Application.
- e. Cancellations/Nonrenewals
1. Section 627.4091, F.S.-Failure to Provide Specific Reason for Denial, Cancellation or Nonrenewal.
 2. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Return Premium Amount.
 3. Rule 4-167.010, Failure to Provide Proof of Mailing.
- f. Claims
1. Section 626.112, F.S.-Use of Unappointed Adjuster.
 2. Rule 4-166.026, Failure to Provide Written Explanation of Claim Denial.

4. The **DEPARTMENT** and **PREFERRED NATIONAL** expressly waive a hearing in this matter and the making of Findings of Fact and Conclusions of Law by the **DEPARTMENT** and all further and other proceedings herein to which the parties may be entitled by law. **PREFERRED NATIONAL** hereby knowingly and voluntarily waives the rights to challenge or to contest this Order, in any forum now available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

5. **PREFERRED NATIONAL** agrees that upon the execution of this Consent Order it shall be subject to the following terms and conditions:

(a) **PREFERRED NATIONAL** shall pay an administrative penalty of \$5,300 and administrative costs of \$1,000 on or before the 30th day after this Consent Order is executed.

(b) **PREFERRED NATIONAL** shall henceforth comply with all of the provisions of the Florida Insurance Code, Florida Administrative Code and implement policies and procedures that will preclude the recurrence of violations contained in the examination report. These policies and procedures shall be made available to the **DEPARTMENT** for review upon request. Particular attention should be paid to the development of procedures that facilitate rating practices that comport with filed and approved rates. Within 90 days after execution of this Consent Order **PREFERRED NATIONAL** shall both implement the recommendations contained in this report, and submit confirmation, in writing, to the **DEPARTMENT** that all directives contained in the report have been met, including all refunds made.

(c) **PREFERRED NATIONAL** is hereby placed on notice of the requirements of the above referenced sections of law and agrees that any future violations of these sections by **PREFERRED NATIONAL** may be deemed willful, subjecting **PREFERRED NATIONAL** to appropriate penalties.

6. **PREFERRED NATIONAL** agrees that the failure to adhere to one or more of the above terms and conditions of this Order shall constitute a violation of a lawful order of the **DEPARTMENT**, and shall subject **PREFERRED NATIONAL** to such administrative action as the **DEPARTMENT** may deem appropriate.

7. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

8. THEREFORE, the agreement between **PREFERRED NATIONAL INSURANCE COMPANY** and the **DEPARTMENT**, the terms and conditions of that are set forth above, is approved.

FURTHER, all terms and conditions above are hereby **ORDERED**.

DONE AND ORDERED this 18TH day of MARCH,

2002.



KEVIN MCCARTY
DEPUTY INSURANCE COMMISSIONER

By execution hereof **PREFERRED NATIONAL INSURANCE COMPANY** consents to entry of this Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. I am authorized to execute this document.

PREFERRED NATIONAL INSURANCE COMPANY

By: _____

John K. LATHAM
(Typed or Printed Name)

Title: _____

President

Date: _____

2/25/02

COPIES FURNISHED TO:

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