

2000 TARGET PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

RE-LIABILITY PURCHASING GROUP OF FLORIDA, INC.

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 10/24/00

## TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	REVIEW OF PREMIUM AND CLAIM PROCESSES	2
III.	PENDING ISSUES	4
IV.	EXHIBITS	5

## I. INTRODUCTION

RE-liability Purchasing Group of Florida, Inc. , is a Risk Purchasing Group registered to conduct business in the State of Florida during the scope of this examination. The scope of the examination includes all policies placed during 1999 and 2000. The purpose of the target examination was to determine whether the Risk Purchasing Group has complied with Part XIX, Florida Statutes.

Per this examination, records reviewed included cash receipts journals, cash disbursements journals, procedures for the flow of premiums into and out of the group, procedures for claims processing, including any claims which were paid by the Risk Purchasing Group, the membership list of the group and the registration with the Department.

This report contains examination results addressing all areas of noncompliance found during the course of the examination. In all instances, the Risk Purchasing Group was directed to take corrective action as required to place the Risk Purchasing Group in compliance with Florida Statutes/Rules.

## II. REVIEW OF PREMIUM AND CLAIM PROCESSES

### A. GENERAL COMMENTS

A meeting was held with Purchasing Group staff in order to identify the procedures for receipt and disbursement of premiums, as well as for procedures, if any, associated with the payment of claims. Gross premium and membership fees are received by the Purchasing Group. Commissions are deducted and the net amount is paid in full to Unisource Insurance Company. The membership fees along with the commissions are retained by the Purchasing Group. All claims filed are forwarded to the claims servicing company for Madio MGA and Unisource Insurance Company, Circle Management Services (CMS) for processing. CMS in turn handles claims for the Re-Liability Purchasing Group of Florida, Inc. There have been no claims filed to date. The above procedures regarding premium and claims processing are included as Exhibit I and Exhibit II. A review of company records was conducted to verify whether or not these procedures were being followed and to determine whether or not the purchasing group was retaining risks

B. EXAM FINDINGS

The review included verification that the policies secured by the Purchasing Group have been placed with the Company identified in the Registration Statement to assume these risks. Per the examination it was determined that the procedures established by the Purchasing Group are being followed.

Sixty-five (65) policy files were examined.

A review of the membership fees implies that these are rates approved by the Florida Department of Insurance. However this is an incorrect assumption; therefore, the Purchasing Group is directed to correct documents to clarify that the charge for membership fees is neither approved by the Florida Department of Insurance or premium charged by insurance company.

All premiums received are forwarded to the insurance company. Membership fees are retained by the Purchasing Group and are used as part of its marketing and administrative costs.

There have been no claims filed within the scope of this examination.

Disbursements from the Purchasing Group journal were reviewed and were found to be for normal business expenses.

III. PENDING ISSUES

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

The Purchasing Group is directed to revise the brochure that is sent along with the application to prospective insureds to correct the verbage as follows: “If you are an individual Residential Real Estate Appraiser and **a member** and answer “NO” to questions 2, 3 and 4 in the application form and you satisfy Unisource’s eligibility requirements...” Also, remove “Step Three” of the brochure in its entirety and under the subheading “How to Order Individual Appraiser Coverage” make the correction to read: “Worksheet \$\_\_\_\_\_ premium + Step two debit amount \$\_\_\_\_\_ + \$25 **Membership** Fee = \$\_\_\_\_\_.” In addition, the purchasing group was directed to refrain from any advertisement using the existence of the insurance guaranty association for the purpose of sales, solicitation, or inducements.

IV. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
PREMIUM FLOW PROCEDURE	I
CLAIMS PROCEDURE	II