

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

REGENCY INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

DATE FILED: 9/18/02

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I. INTRODUCTION

Regency Insurance Company (Company) is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination. The scope of this examination was January 2000 through August 2001. The exam began September 16, 2001 and ended September 29, 2001. This is the first property and casualty market conduct examination of this Company.

The purpose of this target examination was to verify that deductibles for wind coverage on homeowners policies are being issued correctly and to verify that agent licensing is being handled in accordance with Florida Statutes.

During this examination, records reviewed included homeowners, agent/MGA licensing, for the period of January 2000 through August 2001, 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.

II. PRE-EXAM REVIEW OF COMPANY 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. Exam Findings

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. COMPANY OPERATIONS/MANAGEMENT

A. PROFILE

On October 29, 1997, Regency Insurance Company, under the ownership of Frontier Insurance Group, obtained a Certificate of Authority from the Florida Department of Insurance to transact business in the State.

On June 30, 2000, Tomoka Re Holdings, Inc., acquired Regency Insurance Company and relocated the Company's principal and home office to Gainesville, Florida, from Charlotte, North Carolina.

B. MANAGEMENT

For claims, the Company contracts with Claims Solution Services, Inc., an affiliated adjusting company, to investigate possible fraudulent claims and adjust claims on the Company's behalf, including subrogation and salvage recoveries. An Anti-Fraud Plan has been filed with the Department as required by Section 626.9891, Florida Statutes. The Catastrophe Recovery Plan has also been filed.

The Company is in compliance with Emergency Rule 4-ER01, Florida Administrative Code, which requires the implementation of the Gramm-Leach-Bliley Act Privacy Provision.

C. OPERATIONS

The Company markets standard and preferred personal line homeowners' policies through its Managing General Agent (MGA), Tower Hill Insurance Group, Inc., through the independent agency distribution system. Business is produced throughout the State of Florida.

IV. REVIEW OF POLICIES

A. HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

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

b. Form Filings

Regency Insurance Company is a member of Insurance Service 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

ISO 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>
2000	\$35,557,016	44,765
*2001	\$39,162,766	47,959

*As of August 31, 2001

3. Exam Findings

One hundred (100) policy files were examined.

One (1) error was found.

The error did not affect premium.

The error is described as follows:

1. One (1) error was due to failure to follow the filed rating plan, rating schedule or rating rule. This constitutes a violation of Section 627.062, Florida Statutes. The risk was not eligible, because of the location, to exclude windstorm and hail coverage.

V. AGENTS/MGA REVIEW

Two hundred eighty-two (282) applications/policies written during the scope of examination were examined.

Applications, submitted by forty-nine insurance agencies that produced more than \$25,000.00 of premium with the Regency Insurance Company for the current year, were examined.

Two hundred four (204) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. One hundred eight (108) errors were due to failure to display agent name legibly or identification number on the application. This constitutes a violation of Section 627.4085, Florida Statutes. Exhibit I.
2. Seventy-three (73) errors were due to use of an incorrect application (accord application) used by the brokering, non-appointed agents. This constitutes a violation of Section 626.752, Florida Statutes. Exhibit I.
3. Twenty-three (23) errors were due to failure to properly appoint agents producing business in agencies that produce more than \$25,000.00 of premium with the Company. This constitutes a violation of Section 626.733, Florida Statutes. Exhibit I.

As indicated in error description number three, the Company is not appointing all agents within an agency when required to do so. The Company is requested to review all agency premium volumes and appoint appropriate agents within each

agency as required by Statute. The Company is further requested to provide documentation of their review, findings and corrective actions to the Department within 90 days of receipt of this examination report.

VI. EXHIBITS

SUBJECT

EXHIBIT NUMBER

AGENT/AGENCY REVIEW

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