



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT EXAMINATION FINAL REPORT

OF THE

SECURITY NATIONAL INSURANCE COMPANY

June 20, 2016

NAIC COMPANY CODE: 33120

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EXECUTIVE SUMMARY

A target market conduct examination of the Security National Insurance Company was performed to determine insurer compliance with Market Conduct Annual Statement (MCAS) reporting of the company's transactions and affairs. MCAS reporting provides participating MCAS states with a uniform method of collecting key data elements from insurers. MCAS data is provided and maintained under confidentiality agreements. The examination determined the Company made 11 report line errors in the filing of the 2011 MCAS Private Passenger Automobile Report and 15 errors in the filing of the 2012 MCAS Private Passenger Automobile Report.

PURPOSE AND SCOPE OF EXAMINATION

The Florida Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of the Security National Insurance Company (herein after Security National or Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Global Insurance Enterprises, Inc. The examination scope period was January 1, 2011 through December 31, 2012. Field examination work began September 2, 2014, and ended September 5, 2014; Off-site analysis concluded May 22, 2015.

Examination procedures included reconciling policy data to the 2011 and 2012 Market Conduct Annual Statement (MCAS) Private Passenger Automobile Reports, reviewing samples of contracts and claims file attributes, the insurer Anti-Fraud Plan and Special Investigations Unit (SIU) description filings and, consumer complaints.

This Report is based upon information obtained during the examination, research conducted by the Office, and additional information provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners (NAIC).

COMPANY BACKGROUND

Security National Insurance Company, Inc., was granted a Certificate of Authority to transact business in Florida on April 6, 1989 as a domestic writer of property and casualty insurance. The Company is authorized to write Private Passenger and Commercial Automobile Liability, and Private Passenger and Commercial Automobile Physical Damage coverage. The Company is a wholly owned subsidiary of Bristol West Holdings, Inc. (Bristol West). Bristol West is a wholly owned subsidiary of Farmers Insurance Exchange, a member of the Zurich Financial Services Group (ultimate parent).

Security National Insurance Company is an admitted carrier in Florida and is authorized as Bristol West Specialty Insurance Company in the state of Texas. Florida Direct Written Premiums represented 94.60%, 88.75%, 80.91%, and 74.12% of all Direct Written Premiums in calendar years 2014 through 2011, respectively. The Company distributes its products through a network of independent agents.

Total Direct Written Premiums and all Direct Written Premiums

Year	Florida Direct Written Premiums	All Direct Written Premiums	Percent of Total
2014	\$ 214,548,246	\$ 226,688,300	94.60%
2013	\$ 182,981,286	\$ 206,183,716	88.75%
2012	\$ 197,420,501	\$ 244,013,338	80.91%
2011	\$ 208,033,476	\$ 280,652,650	74.12%

FILE REVIEW

File reviews consisted of sample testing of select reporting lines and of the reconciliation of company data sets to filed MCAS reports. The examiners reviewed information contained in the policy and claims administration systems and complaint logs. The examiners identified private passenger automobile products are maintained on the policy administration system.

MCAS REPORTING

This examination reviewed the insurer's MCAS processes and procedures for collecting, aggregating, and extracting data used in the filing of the 2011 and 2012 MCAS Private Passenger Automobile Reports. Each MCAS contains interrogatories, and those interrogatories for 2011 and 2012 are provided in the appendices of this report of examination. Instructions for completing reports are made available to insurers each year through the National Association of Insurance Commissioners (NAIC). All reports are attested to the completeness and accuracy of the submission. Such reports are filed in accordance with the requirements of Section 626.424, Florida Statutes.

EXAM PROCEDURES

The Company was asked to provide the complete data sets utilized in the 2011 and 2012 MCAS Private Passenger Automobile Reports and for samples of selected reporting lines. Procedures for evaluating each report and line examined included reconciliation of NAIC reporting against the universe of files provided, analysis to determine accuracy of information reported and of the applicable contracts, and verification that data and files are maintained and reported in accordance with the Florida Insurance Code. The Company agrees with the examination findings except where noted. Findings are reported on exception basis.

2011 MCAS PRIVATE PASSENGER AUTOMOBILE REPORT

MCAS Private Passenger Automobile reporting for calendar year 2011 consisted of responses to 57 interrogatories. The examiners selected 4 responses for sampling review and 38 responses for reconciliation review. The review identified 11 errors in the filing of the 2011 MCAS Private Passenger Automobile Report.

CLAIMS CLOSED WITH PAYMENT AND THE NUMBER OF CLAIMS REMAINING OPEN AT THE END OF THE PERIOD

The examination reviewed the Number of Claims Closed with Payment during the Period- Line 29. The examiners selected for testing concurrently with Line 29 a sample of 30 files from the Number of Claims Remaining Open at the End of the Period- Line 31, and a sample of 30 files from the 2012 MCAS Automobile Report, the Number of Claims Remaining Open at the End of the Period- Line 22.

The examiners identified an error on Line 29 reporting the Number of Claims Closed with Payment during the Period. The examiners also identified an error when Line 29 was reviewed concurrently with the sample files from the Number of Claims Remaining Open at the End of the Period- Line 31 and an error when reviewing Line 29 concurrently with the analysis of the 2012 sample files from the Number of Claims Remaining Open at the End of the Period- Line 22.

NUMBER OF CLAIMS REMAINING OPEN AT THE END OF THE PERIOD

The examiners selected for testing a sample of 30 files from the Number of Claims Remaining Open at the End of the Period- Line 31. The examiners identified an error on Line 31 reporting the Number of Claims Remaining Open at the End of the Period.

The Company agrees with the finding with an exception identified [from the sample] in which one feature was reported as open when payment had been made in November 2011 while a separate feature remained open until June 2012.

MEDIAN DAYS TO FINAL PAYMENT

The examination reviewed the Median Days to Final Payment- Line 32. The examiners identified an error on Line 32 reporting the Median Days to Final Payment.

NUMBER OF AUTOS WHICH HAVE POLICIES IN-FORCE AT THE END OF THE PERIOD

The examination reviewed the Number of Autos Which Have Policies In-Force at the End of the Period- Line 49 and the Number of Policies In-Force at the End of the Period- Line 50. The examiners identified an error on Line 49 reporting the Number of Autos Which Have Policies In-Force at the End of the Period and an error on Line 50 reporting the Number of Policies In-Force at the End of the Period.

The Company disagrees with the findings, responding: “The data provided on the 2011 MCAS submission is correct; it is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not match the MCAS report from 2011.”

NUMBER OF NEW POLICIES WRITTEN DURING THE PERIOD AND THE DOLLAR AMOUNT OF DIRECT WRITTEN PREMIUM DURING THE PERIOD

The examination reviewed the Number of New Policies Written during the Period- Line 51 and the Dollar Amount of Direct Written Premium during the Period- Line 52. The examiners identified an error on Line 51 reporting the Number of New Policies Written during the Period and an error on Line 52 reporting the Dollar Amount of Direct Written Premium during the Period.

The Company disagrees with the findings, responding: “The data provided on the 2011 MCAS submission is correct; it is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not match the MCAS report from 2011.”

NUMBER OF COMPANY-INITIATED NON-RENEWALS DURING THE PERIOD

The examiners selected for testing a sample of 10 files from the Number of Company-Initiated Non-Renewals during the Period- Line 53. The examiner’s identified an error on Line 53 reporting the Number of Company-Initiated Non-Renewals during the Period.

The Company disagrees with the findings, responding: “The data provided on the 2011 MCAS submission is correct; it is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not match the MCAS report from 2011.”

NUMBER OF CANCELLATIONS FOR NON-PAY, NON-SUFFICIENT FUNDS, OR INSURED’S REQUEST DURING THE PERIOD, THE NUMBER OF COMPANY-INITIATED CANCELLATIONS THAT OCCUR IN THE FIRST 59 DAYS AFTER EFFECTIVE DATE, EXCLUDING REWRITES TO A RELATED COMPANY AND THE NUMBER OF COMPANY-INITIATED CANCELLATIONS THAT OCCUR 60-90 DAYS AFTER EFFECTIVE DATE, EXCLUDING REWRITES TO A RELATED COMPANY

The examination reviewed the Number of Cancellations for Non-Pay, Non-Sufficient Funds, or Insured’s Request during the Period- Line 54, the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company, during the Period- Line 55 and, the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company- Line 56.

The examiners identified an error on Line 54 reporting the Number of Cancellations for Non-Pay, Non-Sufficient Funds, or Insured’s Request during the Period, an error on Line 55 reporting the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company during the Period, and an error on Line 56 reporting the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.

The Company disagrees with the findings, responding: “The data provided on the 2011 MCAS submission is correct; it is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not match the MCAS report from 2011.”

RECOMMENDATION

It is recommended the Company adopt policies and procedures to improve reporting accuracy and provide for the retention of original data used in required regulatory reports.

2012 MCAS PRIVATE PASSENGER AUTOMOBILE REPORT

MCAS Private Passenger Automobile reporting for calendar year 2012 consisted of responses to 49 interrogatories. The examiners selected 7 responses for sampling review and 39 responses for reconciliation review. The review identified 15 errors in the filing of the 2012 MCAS Private Passenger Automobile Report.

NUMBER OF CLAIMS CLOSED WITH PAYMENT DURING THE PERIOD AND THE NUMBER OF CLAIMS REMAINING OPEN AT THE END OF THE PERIOD

The examination reviewed the Number of Claims Closed with Payment during the Period- Line 20. The examiners selected for testing a sample of 30 files from the Number of Claims Remaining Open at the End of the Period- Line 22 in conjunction with Line 20.

The examiner's analysis identified an error on Line 20 reporting the Number of Claims Closed with Payment during the Period and an error on Line 22 reporting the Number of Claims Remaining Open at the End of the Period.

MEDIAN DAYS TO FINAL PAYMENT

The examination reviewed the Median Days to Final Payment- Line 23. The examiner identified an error on Line 23 reporting the Median Days to Final Payment.

NUMBER OF CLAIMS CLOSED WITH PAYMENT WITHIN 181-365 DAYS AND THE NUMBER OF CLAIMS CLOSED WITH PAYMENT BEYOND 365 DAYS

The examination reviewed the Number of Claims Closed with Payment within 181-365 Days- Line 28 and the Number of Claims Closed with Payment beyond 365 Days- Line 29. The examiner's reviews identified an error on Line 28 reporting the Number of Claims Closed with Payment within 181-365 Days and an error on Line 29 reporting the Number of Claims Closed with Payment beyond 365 Days.

NUMBER OF SUITS OPEN AT THE BEGINNING OF THE PERIOD

The examination reviewed the Number of Suits Open at the Beginning of the Period- Line 36. The examiners identified an error on Line 36 reporting the Number of Suits Open at the Beginning of the Period.

NUMBER OF SUITS OPENED DURING THE PERIOD

The examination reviewed the Number of Suits Opened during the Period- Line 37 concurrently with a sample of 30 files selected for testing from Line 22- the Number of Claims Remaining Open at the End of the Period. The examiners identified an error on Line 37 reporting the Number of Suits Opened during the Period.

NUMBER OF SUITS CLOSED DURING THE PERIOD AND THE NUMBER OF SUITS OPEN AT THE END OF THE PERIOD

The examination reviewed the Number of Suits Closed during the Period- Line 38 and the Number of Suits Open at End of Period- Line 39. The examiners identified an error on Line 38 reporting the Number of Suits Closed during the Period and an error on Line 39 reporting the Number of Suits Open at the End of the Period.

NUMBER OF AUTOS WHICH HAVE POLICIES IN-FORCE AT THE END OF THE PERIOD AND THE NUMBER OF POLICIES IN-FORCE AT THE END OF THE PERIOD

The examination reviewed the Number of Autos which Have Policies In-Force at the End of the Period- Line 40 and the Number of Policies In-Force at the End of the Period- Line 41. The examiners identified an error on Line 40 reporting the Number of Autos which Have Policies In-Force at the End of the Period and an error on Line 41 reporting the Number of Policies In-Force at the End of the Period.

The Company disagrees with the findings, responding: "It is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not exactly match the MCAS report from 2012."

NUMBER OF NEW POLICIES WRITTEN DURING THE PERIOD

The examination reviewed the Number of New Policies Written during the Period- Line 42. The examiners identified an error on Line 42 reporting the Number of New Policies Written during the Period.

The Company disagrees with the findings, responding: “It is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not exactly match the MCAS report from 2012.”

DOLLAR AMOUNT OF DIRECT WRITTEN PREMIUM DURING THE PERIOD

The examination reviewed the Dollar Amount of Direct Written Premium during the Period- Line 43. The examiners identified an error on Line 43 reporting the Dollar Amount of Direct Written Premium during the Period.

NUMBER OF COMPANY-INITIATED NON-RENEWALS DURING THE PERIOD

The examiners selected for testing a sample of 10 files from the Number of Company-Initiated Non-Renewals during the Period- Line 44. The examiners identified an error on Line 44 reporting the Number of Company-Initiated Non-Renewals during the Period.

The Company disagrees with the findings, responding: “It is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not exactly match the MCAS report from 2012.”

NUMBER OF CANCELLATIONS FOR NON-PAY, NON-SUFFICIENT FUNDS, OR INSURED’S REQUEST

The examination reviewed the Number of Cancellations for Non-Pay, Non-Sufficient Funds, or Insured’s Request- Line 45. The examiners identified an error on Line 45 reporting the Number of Cancellations for Non-Pay, Non-Sufficient Funds, or Insured’s Request.

The Company disagrees with the findings, responding: “It is not our standard business practice to retain the detailed reports from which this metric was calculated. Additionally, since our policy data is not static, the detailed report that we recreated for this exam does not exactly match the MCAS report from 2012.”

RECOMMENDATION

It is recommended the Company adopt policies and procedures to improve reporting accuracy and provide for the retention of original data used in required regulatory reports.

COMPLAINTS

The examiners reconciled the 2010 through 2012 Florida Department of Financial Services Division of Consumer Services (FLDFS) complaint logs to the Company logs of complaints received directly from consumers. The examiners review determined the Company log of complaints agrees with the FLDFS complaint logs.

ANTI-FRAUD PLAN

The Company files an Anti-Fraud Plan with the Florida Department of Financial Services, Division of Insurance Fraud (Division). Special Investigation Unit (SIU) description filings are made to the Division electronically. The Company Anti-Fraud Plan and SIU description filings for the examination period through the conclusion of on-site work were reviewed.

The examiners review determined the Company records appear to comply with Section 626.9891(3), Florida Statutes and Rule 69D-2, Florida Administrative Code.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.

FORM 118

FINANCIAL SERVICES COMMISSION OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

I hereby certify that I am the officer in charge of the Florida business of the:

Security National Insurance Company

I have read the report of the *Market Conduct Annual Statement (MCAS)* examination

Issued On

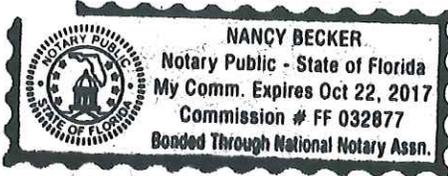
June 20, 2016

filed with the Office of Insurance Regulation. Any recommendations contained in the report will be considered within a reasonable time.

This form is hereby executed in compliance with Section 624.319(5), Florida Statutes.

Sharon R. Fernandez
Name
[Signature]
Signature

President
Title
7/14/2016
Date



Sworn to and subscribed before me this 14th

day of July, 2016

(SEAL)

NOTARY PUBLIC Nancy Becker
Signature

My commission expires 10-22-17

This form is to be completed, notarized and returned to Keith Nault, Market Investigations, 200 East Gaines St., Larson Building, Tallahassee, Florida 32399-4210, within 30 days from receipt. If Form 118 is not returned to the Office within 30 days of the date of signature on the return receipt card, this matter will be forwarded to our Legal Division for appropriate legal action.

APPENDIX A

Line	2011 Interrogatories MCAS Private Passenger Automobile Report
01/02	Does the Company have Data to Report for Collision?
03/04	Does the Company have Data to Report for Comprehensive?
05/06	Does the Company have Data to Report for Bodily Injury?
07/08	Does the Company have Data to Report for Property Damage?
09/10	Does the Company have Data to Report for UMBI and UIMBI?
11/12	Does the Company have Data to Report for UMPD and UIMPD?
13/14	Does the Company have Data to Report for Medical Payments?
15/16	Does the Company have Data to Report for Combined Single Limits?
17/18	Does the Company have Data to Report for Personal Injury Protection?
19	Was the Company Actively Writing Policies in the State at Year End?
20/21	Did the Company have a Significant Event or Business Strategy Change that Would Affect Data for this Reporting Period?
22/23	Has All or Part of this Block of Business Been Sold, Closed, or Moved to Another Company during the Year?
24	How Does the Company Treat Supplemental or Additional Payments on Previously Reported Claims?
25	Additional State Specific Claims Comments (Optional):
26	Additional State Specific Underwriting Comments (Optional):
27	Number of Claims Open at the Beginning of the Period.
28	Number of Claims Opened during the Period.
29	Number of Claims Closed with Payment during the Period.
30	Number of Claims Closed without Payment during the Period.
31	Number of Claims Remaining Open at the End of the Period.
32	Median Days to Final Payment.
33	Number of Claims Closed with Payment within 0-30 Days.
34	Number of Claims Closed with Payment within 31-60 Days.
35	Number of Claims Closed with Payment within 61-90 Days.
36	Number of Claims Closed with Payment within 91-180 Days.
37	Number of Claims Closed with Payment within 181-365 Days.
38	Number of Claims Closed with Payment within Beyond 365 Days.
39	Number of Claims Closed without Payment within 0-30 Days.
40	Number of Claims Closed without Payment within 31-60 Days.
41	Number of Claims Closed without Payment within 61-90 Days.
42	Number of Claims Closed without Payment within 91-180 Days.
43	Number of Claims Closed without Payment within 181-365 Days.
44	Number of Claims Closed without Payment Beyond 365 Days.
45	Number of Suits Open at the Beginning of the Period.

2011 Interrogatories MCAS Private Passenger Automobile Report (cont)	
46	Number of Suits Opened during the Period.
47	Number of Suits Closed during the Period.
48	Number of Suits Open at End of Period.
49	Number of Autos which have Policies In-Force at the End of the Period.
50	Number of Policies In-Force at the End of the Period.
51	Number of New Policies Written during the Period.
52	Dollar Amount of Direct Written Premium during the Period.
53	Number of Company-Initiated Non-Renewals during the Period.
54	Number of Cancellations for Non-Pay, Non-Sufficient Funds or Insured's Request.
55	Number of Company-Initiated Cancellations that Occur In the First 59 Days after Effective Date, Excluding Rewrites to a Related Company.
56	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.
57	Number of Company-Initiated Cancellations that Occur Greater Than 90 Days after Effective Date, Excluding Rewrites to a Related Company.

APPENDIX B

Line	2012 Interrogatories MCAS Private Passenger Automobile Report
01	Does the Company have Data to Report for Collision?
02	Does the Company have Data to Report for Comprehensive?
03	Does the Company have Data to Report for Bodily Injury?
04	Does the Company have Data to Report for Property Damage?
05	Does the Company have Data to Report for UMBI and UIMBI?
06	Does the Company have Data to Report for UMPD and UIMPD?
07	Does the Company have Data to Report for Medical Payments?
08	Does the Company have Data to Report for Combined Single Limits?
09	Does the Company have Data to Report for Personal Injury Protection?
10	Was the Company Actively Writing Policies in the State at Year End?
11/12	Did the Company have a Significant Event or Business Strategy Change that Would Affect Data for this Reporting Period?
13/14	Has All or Part of this Block of Business Been Sold, Closed, or Moved to Another Company during the Year?
15	How Does the Company Treat Supplemental or Additional Payments On Previously Reported Claims?
16	Additional State Specific Claims Comments (Optional):
17	Additional State Specific Underwriting Comments (Optional):
18	Number of Claims Open at the Beginning of the Period.
19	Number of Claims Opened during the Period.
20	Number of Claims Closed with Payment during the Period.

2012 Interrogatories MCAS Private Passenger Automobile Report (con't)	
21	Number of Claims Closed without Payment during the Period.
22	Number of Claims Remaining Open at the End of the Period.
23	Median Days to Final Payment.
24	Number of Claims Closed with Payment within 0-30 Days.
25	Number of Claims Closed with Payment within 31-60 Days.
26	Number of Claims Closed with Payment within 61-90 Days.
27	Number of Claims Closed with Payment within 91-180 Days.
28	Number of Claims Closed with Payment within 181-365 Days.
29	Number of Claims Closed with Payment Beyond 365 Days.
30	Number of Claims Closed without Payment within 0-30 Days.
31	Number of Claims Closed without Payment within 31-60 Days.
32	Number of Claims Closed without Payment within 61-90 Days.
33	Number of Claims Closed without Payment within 91-180 Days.
34	Number of Claims Closed without Payment within 181-365 Days.
35	Number of Claims Closed without Payment Beyond 365 Days.
36	Number of Suits Open at the Beginning of the Period.
37	Number of Suits Opened during the Period.
38	Number of Suits Closed during the Period.
39	Number of Suits Open at End of Period.
40	Number of Autos which have Policies In-Force at the End of the Period.
41	Number of Policies In-Force at the End of the Period.
42	Number of New Policies Written during the Period.
43	Dollar Amount of Direct Written Premium during the Period.
44	Number of Company-Initiated Non-Renewals during the Period.
45	Number of Cancellations for Non-Pay, Non-Sufficient Funds or Insured's Request.
46	Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company.
47	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.
48	Number of Company-Initiated Cancellations that Occur Greater Than 90 Days after Effective Date, Excluding Rewrites to a Related Company.
49	Number of Complaint Received Directly from Consumers.