

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

VESTA FIRE INSURANCE CORPORATION  
(VESTA INSURANCE GROUP, INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 7/6/01

## TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	PRE-EXAM REVIEW OF COMPANY WRITINGS	2
III.	REVIEW OF POLICIES	
A.	INDUSTRIAL FIRE	3
B.	MOBILE HOMEOWNERS	5
IV.	AGENTS/MGA REVIEW	7
V.	CANCELLATIONS/NONRENEWALS REVIEW	8
VI.	CLAIMS REVIEW	9
VII.	COMPLAINTS REVIEW	10
VIII.	PENDING ISSUES	11
IX.	EXHIBITS	12

## I. INTRODUCTION

Vesta Fire Insurance Corporation is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 through December 1998. This examination began April 9, 2000 and ended May 27, 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 of this examination, \$1,225.20 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

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. INDUSTRIAL FIRE

##### 1. Application of Rules, Rates and Forms

###### a. Rate/Rule Filings

Vesta Fire Insurance Corporation independently files rules/rates in accordance with Section 627.062, Florida Statutes.

###### b. Form Filings

Vesta Fire Insurance Corporation 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>
1996	\$ 1,597,518	6,389
1997	\$ 1,490,283	5,307
1998	\$ 658,359	4,916

3. Exam Findings

Twenty-five (25) policy files were examined.

No errors were found.

B. MOBILE HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Vesta Fire Insurance Corporation independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

Vesta Fire Insurance Corporation 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>
1996	\$ 243,561	1,127
1997	\$ 246,297	1,139
1998	\$ 2,269	11

3. Exam Findings

Fifty (50) policy files were examined.

Sixty-five (65) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Forty-nine (49) errors were due to use of unfiled forms. The Declaration Page, number M-355, Ed.7-93 is unfiled. This constitutes a violation of Section 627.410, Florida Statutes.
2. Fifteen (15) errors were due to failure to provide timely notice of renewal, nonrenewal or cancellation. Less than forty-five (45) days notice was provided for renewal. This constitutes a violation of Section 627.4133, Florida Statutes.
3. One (1) error was due to failure to maintain records. Renewal information was missing from the file. This constitutes a violation of Section 627.318, Florida Statutes.

#### IV. AGENTS/MGA REVIEW

Twenty (20) applications/policies written during the scope of examination were examined.

Fourteen (14) errors were found.

None of the errors affected policy fees.

The errors are broken down as follows:

1. Ten (10) errors were due to use of unlicensed/unappointed MGA. This error was cited in the 1995 Examination, on Page 16. This constitutes a violation of Section 626.091, Florida Statutes.
2. One (1) error was due to failure to obtain independent financial examination. No evidence of independent financial examination was provided. This constitutes a violation of Section 626.7454, Florida Statutes.
3. Three (3) errors were due to failure of insurer to comply with annual MGA Review Requirements. No annual on-site review of underwriting and claims processing operations were provided for the scope of this examination for years 1996, 1997 and 1998. This constitutes a violation of Section 626.7454, Florida Statutes.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Two (2) errors were found.

None of the errors affected premium calculations.

The errors are broken down as follows:

1. One (1) error was due to failure to provide proof of mailing. This constitutes a violation of Rule 4-167.010, Florida Administrative Code.
2. One (1) error was due to failure to maintain records. No information in the file to document when the return premium was sent to the insured; no copies of return premium invoice were included the file. This constitutes a violation of Section 627.318, Florida Statutes.

## VI. CLAIMS REVIEW

Fifty (50) claims were examined.

Thirteen (13) errors were found.

One (1) error resulted in an underpayment totaling \$1,225.20.

The Company's internal claims handling procedures and reserving practices are described in Exhibits I and II.

The errors are broken down as follows:

1. Eleven (11) errors were due to use of unlicensed and unappointed adjuster. This error was cited in the 1995 Examination, on Page 20. This constitutes a violation of Section 626.112, Florida Statutes.
2. One (1) error was due to failure to communicate timely. The Company took 46 days to acknowledge claim and begin an investigation. This constitutes a violation of Rule 4-166.024, Florida Administrative Code.
3. One (1) error was due to failure to provide explanation of replacement cost settlement. This error resulted in an underpayment totaling \$1,225.20, which has been refunded by the Company. This constitutes a violation of Rule 4-166.023, 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. Complaint handling procedures are described in Exhibit III

## VIII. PENDING ISSUES

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

1. Use of unappointed company employee adjusters as cited in the 1995 examination. The Company is still in noncompliance and disagrees with the error.
2. The use of an unlicensed/unappointed MGA as cited in the 1995 examination. The Company is still in noncompliance. The Company has not returned the preliminary advisory notice stating their position, nor communicated verbally as to their response.

IX. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
OVERVIEW OF OPERATIONS OF THE CLAIMS DEPARTMENT	I
RESERVES	II
COMPLAINT HANDLING PROCEDURES	III
PAGE 16 OF THE 1995 EXAMINATION ON UNAPPOINTED MGA	IV
PAGE 20 OF THE 1995 EXAMINATION ON UNAPPOINTED ADJUSTERS	V