

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

WINDSOR INSURANCE COMPANY  
(WINDSOR INSURANCE GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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## I. INTRODUCTION

Windsor Insurance Company (Company) is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination. The scope of this examination was January 1999 through July 2001. The examination began August 19, 2001 and ended October 13, 2001. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded July 31, 1997.

The prior examination report included the review of private passenger automobile policies. Violations cited included failure to display the telephone number and purpose on policies/certificates, and failure to display the agent's name/license number and/or insurer name on applications.

This examination was conducted due to the number of complaints received by the Division of Consumer Services since the last examination and to verify compliance with Florida Statutes and Rules.

During this examination, records reviewed included private passenger automobile, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints.

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 this examination, \$54.06 was returned to Florida consumers due to an overcharge of premium.

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

Windsor Insurance Company was incorporated as Southeastern Fidelity Insurance Company (SFIC) in the State of Georgia on August 4, 1949. SFIC received a Certificate of Authority to transact business in the State of Florida on September 24, 1968. Windsor Insurance Company was incorporated in Indiana on November 5, 1987. On February 28, 1989, SFIC was merged into Windsor Insurance Company.

On December 31, 1990, direct financial control of Windsor Insurance Company was acquired by Pennsylvania Central Corporation, a wholly-owned subsidiary of American Premier Underwriters, Inc. On December 12, 1994, American Premier Underwriters, Inc., acquired American Financial Corporation, forming a new parent company, American Financial Group, Inc., to own both American Premier Underwriters, Inc., and American Financial Corporation.

The Company's home office is located at 11700 Great Oaks Way, Alpharetta, Georgia 30022. The Company markets business through the independent agency system and does not use managing general agents or brokers.

Claims are handled by Company adjusters in the Tampa and Ft. Lauderdale regional claims offices; as well as the home office in Alpharetta, Georgia.

The Company's website address is [www.windsorgroup.com](http://www.windsorgroup.com).

B. MANAGEMENT

1. Company Computer System

Windsor Insurance Group has one system for policy management and two systems for claims management. The policy management system runs on IBM 9121 mainframe on the PMS application. The claims systems are mainframe and client server. The mainframe system is PMC/BCMS running on an IBM 9121 mainframe. The client server system is secured by network authentication and runs on a three tiered NT/UNIX platform.

2. Anti-Fraud Plan

Windsor Insurance Group established a Special Investigation Unit in 1988 to identify and act upon a fraudulent or suspicious claim prior to any payment or settlement being made. The Anti-Fraud Plan has been filed with the Florida Department of Insurance, Division of Fraud, as required by Section 626.9891, Florida Statutes.

3. Disaster Recovery Plan

In the event of a catastrophe that will interrupt business for seven days or longer, the Company will re-establish computer capabilities within the existing location of the current center, if possible. If not, a transfer of operations will be made at COMDISCO Disaster Recovery Services in Smyrna, Georgia; or if unavailable, COMDISCO will direct them to another facility. In addition, a personnel and contact list has been established to disseminate instructions as quickly as possible. Data protection is in place by use of daily backup jobs and off-site storage.

4. Internal Audit Plan

Company auditors annually conduct internal audit reviews after sending each manager the manager questionnaire and copies of the relevant state statutes pertinent to automobile insurance. Upon completion of the audit, a final report of the findings is provided to those levels of management as may be necessary to determine what steps the Company will take to correct problems outlined in the report.

5. Privacy Plan

The Company is in compliance with the requirements of Emergency Rule 4ER01. A Privacy Notice and Notice of Information Practices Form has been developed and sent to policyholders. Exhibit I.

6. Credit Reports

The Company uses credit reports in their selection process to determine eligibility of private passenger automobile coverage. If not eligible for this Company, this risk may be eligible for another Company in the group. To determine what Company an applicant is eligible for, the Company looks at number of days lapse, prior BI limits based on the proof of prior insurance submitted, all not at fault accidents and all comprehensive claims greater than \$1,000 and credit report level. Exhibit II.

B. OPERATIONS

The Company writes non-standard private passenger automobile insurance throughout the State of Florida. Business is referred to the Company through the independent agency system.

#### IV. REVIEW OF POLICIES

##### A. PRIVATE PASSENGER AUTOMOBILE

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

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

Windsor Insurance Company is a subscriber of Insurance Services Office (ISO) and as such ISO is authorized to file symbols only on the Company's behalf in accordance with Section 627.0651, Florida Statutes. The Company makes independent rule/rate filings. The Company writes full coverage and PIP/PD only private passenger automobile policies. There are no multiple rating tiers within the Company.

###### b. Form Filings

Windsor Insurance Company independently files forms in accordance with Section 627.410, Florida Statutes.

###### c. Statistical Affiliation

National Association of Independent Insurers 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>
1999	\$12,652,198	21,086
2000	\$16,486,390	27,205
*2001	\$ 4,508,460	**7,355

\*2001 figures are as of June 30, 2001.

\*\*2001 policy count is down due to Company initiating a rate increase, more restrictive underwriting requirements and cancellation of some agents due to deteriorating underwriting loss ratios.

3. Exam Findings

One hundred (100) policy files were examined.

Two (2) errors were found.

One (1) error affecting premium resulted in an undercharge totaling \$34.00.

The errors are broken down as follows:

1. One (1) error was due to failure to follow the filed rating plan. This constitutes a violation of Section 627.0651, Florida Statutes. The insured selected a \$250 deductible for PIP coverage, but the policy indicated and was rated with a \$2,000 deductible. This resulted in an undercharge of \$34.00.
2. One (1) error was due to failure to obtain a completed and signed PIP selection form. This constitutes a violation of Section 627.739, Florida Statutes.

V. AGENTS/MGA REVIEW

Ten (10) applications/policies written during the scope of examination were examined.

One (1) error was found.

The error is described as follows:

1. One (1) error was due to failure to display the agent's name and license number on the application. This constitutes a violation of Section 627.4085, Florida Statutes.

This error occurred in the 1997 Examination, Page 9. Exhibit III.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

No errors were found.

## VII. CLAIMS REVIEW

Ninety-six (96) claims were examined. Forty-five (45) of these claims were personal injury protection claims referred for an independent medical evaluation review (IME) and one (1) claim was referred for a paper review (PR). No errors were found in the IME or the PR.

One (1) error was found.

The Company's internal claims handling procedures and reserving practices are described in Exhibit IV.

The error is described as follows:

1. One (1) error was due to failure to disclose information in a timely manner. This constitutes a violation of Section 627.4137, Florida Statutes.

VIII. COMPLAINTS REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has not 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 V.

Consumer complaints received during the scope of examination were reviewed and findings are as follows:

A. DOI REFERRALS

ALLEGATION	VIOLATION	Comments
Canc policy but never rec'd any refund	N	Cancelled for non-pay and no money was due the insured
Policy canc & insured didn't understand why he still owed Co. money	N	Canc for non-pay and he still owed Co. for part of his earned prem.
Why had policy been cancelled	N	Full justification of canc calcs were provided
DOI requested calc of canc refund	N	Canc for non-pay and he still owed Co. for part of his earned prem.
Policy canc & insured didn't understand why he still owed Co. money	N	Co explained quotation for 6 mo periods & furnished prem breakdown
Insured didn't understand billing	N	Canc for non-pay and he still owed Co. for part of his earned prem.
Policy canc & insured didn't understand why he still owed Co. money	N	Canc for non-pay and he still owed Co. for part of his earned prem.
Policy canc & insured didn't understand why he still owed Co. money	N	After a search of records by insured's name & pol # provided Co. determined this wasn't their policy
Didn't know why policy was cancelled	N	Full justification of canc calcs were provided
Lienholder was not advised of canc	N	Policy not cancelled, insured let policy nonrenew
DOI advised insured replaced ins and wanted canc eff 2/3	N	Co. paid a claim on 2/4/00 therefore advised DOI that 2/5 was earliest they could cancel
Daughter removed from policy but Co still billing for her	N	Co needed proof of other cov which they now have and policy prem was adjusted accordingly

Canc return prems calculated incorrectly	N	Canc was cancelled short rate/insured's request but as a concession changed to prorata so add'l owed was smaller
Policy cancelled due to drivers susp and insured's license was reinstated	N	Insured licensed was reinstated but insured never advised Co of this or that he wanted his policy reinstated.
Policy cancelled & insured didn't understand why he still owed Co. money	N	After calculating cancelled Insured owed Co. for part of his earned premium.
Insured believed cancelled was done incorrectly	N	Cancelled for non-pay, prorata then rec'd insured request to cancel, but pro-rate was more advantageous to insured so Co let their prorata cancelled stand
Why a difference between quote and policy issuance	N	Quoted at incorrect credit rating, when credit rating rec'd policy required add'l premium
Insured had an issue with his premiums	N	Policy cancelled 5 times for non-pay and all supporting paperwork was furnished justifying the premiums charged
Why a difference between quote and policy issuance	N	Quoted at incorrect credit rating, when credit rating rec'd policy required add'l premium
Why a difference between quote and policy issuance	N	Quoted at incorrect credit rating, when credit rating rec'd policy required add'l premium
Canc return prems calculated incorrectly	Y	Cancelled was originally miscalculated and was discovered and corrected by the Co. upon DOI inquiry
Why a difference between quote and policy issuance	N	Quoted at incorrect credit rating, when credit rating rec'd policy required add'l premium
Canc return prems calculated incorrectly	N	Co. cancelled worksheet shows how the return was calculated correctly
Canc return prems calculated incorrectly	N	Co. cancelled worksheet shows how the return was calculated correctly
Policy cancelled & insured didn't understand why he still owed Co. money	N	Cancelled for non-pay and he still owed Co. for part of his earned premium.
Insured never rec'd her rebate on her PIP	N	Insurer doesn't give rebates when insured do not use their PIP coverage
Co. cancelled for non-pay & insured didn't understand renewal premium increase	N	Co. adjusted renewal premium by end after determining minor son had account prior to renewal date
Co. didn't pay lienholder after account	N	Insured let policy lapse prior to account date
Co. cancelled policy even though insured has been making payments	N	2nd auto added which increased premium and insured not paying additional amount
Added a non household member to policy charging add'l premium	N	CLUE report indicates person was a member of household & Co. advised they would remove driver with proof
claim denied	N	No policy in force. Insured let policy lapse several months prior to account.
Coll. Claim denied	N	Insured carried no Coll Cov with Co, other party at fault, other party's carrier denied the claim, not this Co.
claim denied	N	Complainant at fault-- her own Co. is responsible for her damages

Company won't pay his PIP bills	N	Insured has a \$2000 PIP ded., company did not begin paying until ded. was met
Slow to concude claim	N	loss exceeded Co's policy limits so delay caused in working with complainants insurer and 48 days it took for vehicle to be repaired
add'l paid rental days denied	N	Co. allowed 5 days for a 10.4 hour repair job, insured requested more days but was denied
claim denied	N	UM claim, but other party insured so insured advised other policy must be exhausted first.
Slow to concude claim	N	delay due to investigation not completed (Has been settled now)
Unsatisfactory settlement	N	Co. used a nationally recognized serv to calc value & stands on their decision
Insured questioning service charge	N	correct filed service charge was used in this premium financing
Co. canc policy even though insured has been making pymts	N	2nd auto added which incr prem and insured not paying additional amount
premium increased indiscriminately	N	premium increase due to use of surcharge for acct & failure to report
premium increased indiscriminately	N	premium increase due to filed rate change -- not discrimination
claim denied	N	Insured's let policy lapse prior to accident date
Unable to get policy info from the Company	N	Search of database did not come up with a policy for this person
Actual prem higher than quote	N	Quoted using mailing address, prem was figured at garaging address
Co. cancelled policy yet was billing insured for add'l prem	N	For time in force insured's earned prem exceeded the down payment, therefore no return was due
insured questioned premium increase	N	Insured's new vehicle carried higher symbol, thus higher rate, than old one
not a timely return prem on cov reduction	N	Company had not been advised of address change & return went to wrong address
Improper Nonrenewal	N	Insured's driver license expired

B. COMPANY RECEIVED COMPLAINTS

Fifty (50) complaints files were examined.

Two (2) errors were found.

Errors affecting premium resulted in one (1) underreturn totaling \$54.06.

The errors are broken down as follows:

1. One (1) error was due to failure to follow the filed rating plan. This constitutes a violation of Section 627.0651, Florida Statutes. The cancellation return premium was incorrectly calculated. This error resulted in an underreturn of \$54.06, which has been refunded by the Company.
  
2. One (1) error was due to failure to maintain a complete log during the scope of this examination. This constitutes a violation of Section 626.9541(1)(j), Florida Statutes. The Company maintained a log of informal complaints the first year of the scope of this exam only. During the course of this examination, procedures and a log have been established for informal complaints.

The review of complaints revealed that the two (2) errors did not develop a business practice pattern that was detrimental to Florida policyholders.

IX. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
PRIVACY NOTICE	I
CREDIT REPORT CRITERIA	II
1997 EXAMINATION, PAGE 9	III
CLAIMS HANDLING PROCEDURES	IV
COMPLAINT HANDLING PROCEDURES	V