

1998 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

CAPACITY INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 1-22-01

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## **I. INTRODUCTION**

In accordance with the provisions of Section 624.3161, Florida Statutes, representatives of the Florida Department of Insurance conducted a target market conduct examination of Capacity Insurance Company for the purpose of ascertaining compliance with the reporting requirements contained in Chapters 175 and 185, Florida Statutes.

Insurance companies are required to file reports with the Florida Department of Revenue which accurately identify the geographic location of policies written on specific lines of business, and the amount of premiums written in each fire district or municipality.

Various fire districts and municipalities throughout the state have established pension funds that qualify for distributions of a portion of the premium tax collections. On an annual basis the Florida Department of Revenue provides funds to participating fire districts and municipalities based on the reports received from insurers doing business in this state.

This examination represents the Department's target examination of the Company's reports filed with the Florida Department of Revenue, and covers policies written in calendar year 1998.



### III. EXAMINATION FINDINGS

During its examination, the Department requested 1998 policy information from Capacity Insurance Company for all policies written in the State of Florida which were subject to Chapters 175 and 185, Florida Statutes. The Company indicated that the 1998 report to the Department of Revenue was prepared utilizing wall maps. The Company's underwriters manually use wall maps to code the geographic location of each risk. The Department utilized geo-coding software to determine the correct code for the fire district and municipality for each of these policies. The Department reviewed a total of 1,045 policies.

The Department's review is summarized as follows:

#### **FIRE DISTRICT RESULTS**

Tax Code	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
024	East Naples Fire Control District	\$0.00	\$9.97	(\$9.97)
038	Indian Rocks Fire Control District	\$31.90	\$112.04	(\$80.15)
053	North River Fire Control District	\$0.00	\$25.60	(\$25.60)
064	San Carlos Fire Service District	\$0.00	\$29.03	(\$29.03)
069	Southern Manatee Fire & Rescue District	\$0.00	\$190.25	(\$190.25)
073	St. Lucie County - Ft. Pierce Fire District	\$0.00	\$21.92	(\$21.92)
183	Boca Raton	\$508.08	\$0.00	\$508.08
191	Boynton Beach	\$264.17	\$23.85	\$240.32
192	Bradenton	\$209.57	\$0.00	\$209.57
251	Clearwater	\$463.97	\$0.00	\$463.97
268	Coral Gables	\$41.65	\$0.00	\$41.65
292	Davie	\$24.68	\$0.00	\$24.68
301	Delray Beach	\$49.40	\$0.00	\$49.40
371	Fort Lauderdale	\$1,065.03	\$0.00	\$1,065.03
374	Fort Myers	\$60.03	\$0.00	\$60.03
387	Gainesville	\$129.23	\$0.00	\$129.23
416	Greenacres	\$0.00	\$115.94	(\$115.94)
427	Gulfport	\$188.62	\$210.45	(\$21.82)
432	Hallandale	\$42.09	\$25.96	\$16.12
442	Hialeah	\$81.17	\$0.00	\$81.17
459	Hollywood	\$114.26	\$42.09	\$72.17
464	Homestead	\$8.79	\$131.96	(\$123.17)
477	Indialantic	\$13.91	\$0.00	\$13.91

515	Kissimmee	(\$5.32)	\$0.00	(\$5.32)
530	Lake City	\$15.29	\$0.00	\$15.29
542	Lake Park	\$43.47	\$0.00	\$43.47
545	Lake Worth	\$356.24	\$0.00	\$356.24
546	Lakeland	\$13.60	\$0.00	\$13.60
553	Largo	\$71.22	\$0.00	\$71.22
620	Melbourne & Eau Gallie (Comb.)	\$30.72	\$0.00	\$30.72
626	Miami	\$66.68	\$0.00	\$66.68
627	Miami Beach	\$1.26	\$0.00	\$1.26
666	Naples	\$9.97	\$0.00	\$9.97
675	New Port Richey	\$16.61	\$0.00	\$16.61
686	North Miami	\$153.83	\$0.00	\$153.83
687	North Miami Beach	\$852.21	\$0.00	\$852.21
695	Ocala	\$17.48	\$0.00	\$17.48
725	Orlando	\$13.08	\$0.00	\$13.08
746	Palm Beach Gardens	\$199.60	\$0.00	\$199.60
770	Pembroke Pines	\$144.12	\$0.00	\$144.12
773	Pensacola	\$65.32	\$0.00	\$65.32
787	Pinellas Park	\$27.60	\$0.00	\$27.60
789	Plantation	\$52.70	\$138.30	(\$85.60)
796	Pompano Beach	\$882.13	\$0.00	\$882.13
846	St. Augustine	\$32.63	\$0.00	\$32.63
855	St. Petersburg	\$595.03	\$27.60	\$567.43
856	St. Pete Beach	\$80.62	\$0.00	\$80.62
869	Sarasota	\$528.30	\$0.00	\$528.30
870	Satellite Beach	\$45.53	\$0.00	\$45.53
909	Sunrise	\$0.00	\$26.25	(\$26.25)
916	Tallahassee	\$14.54	\$0.00	\$14.54
918	Tampa	\$595.99	\$0.00	\$595.99
930	Titusville	(\$12.76)	\$0.00	(\$12.76)
966	West Palm Beach	\$385.11	\$0.00	\$385.11
978	Wilton Manors	\$0.00	\$35.49	(\$35.49)
999	Not In A Tax Territory	\$0.00	\$7,765.37	(\$7,765.37)
1000	Invalid Firefighter Tax Code or no Tax Code Listed or None Listed	\$342.70	\$0.00	\$342.70
		\$8,932.08	\$8,932.08	\$0.00
<b>Summary of Invalid Firefighter Tax Code 1000</b>	<b>Number of Entries</b>	<b>Over Allocated</b>		
None Listed	320.78	6		
377	21.92	1		
	342.70			

## POLICE OFFICER MUNICIPALITY RESULTS

TaxCode	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
168	Belleair Beach	\$8.78	\$0.00	8.78
183	Boca Raton	\$33.68	\$0.00	33.68
191	Boynton Beach	\$52.02	\$4.70	47.32
192	Bradenton	\$41.27	\$0.00	41.27
251	Clearwater	\$94.01	\$0.00	94.01
268	Coral Gables	\$8.20	\$0.00	8.20
270	Coral Springs	\$0.00	\$5.21	(5.21)
292	Davie	\$4.86	\$0.00	4.86
296	Deerfield Beach	\$19.60	\$0.00	19.60
301	Delray Beach	\$4.70	\$0.00	4.70
371	Fort Lauderdale	\$84.44	\$0.00	84.44
374	Fort Myers	\$11.81	\$0.00	11.81
377	Fort Pierce	\$14.59	\$4.32	10.27
387	Gainesville	\$25.44	\$0.00	25.44
416	Greenacres	\$0.00	\$22.83	(22.83)
427	Gulfport	\$37.14	\$41.44	(4.30)
432	Hallandale	\$8.29	\$5.11	3.18
442	Hialeah	\$15.98	\$0.00	15.98
459	Hollywood	\$22.50	\$8.29	14.21
461	Holmes Beach	\$32.79	\$0.00	32.79
464	Homestead	\$1.73	\$25.98	(24.25)
477	Indialantic	\$2.74	\$0.00	2.74
481	Indian Shores	\$0.00	\$6.28	(6.28)
501	Jupiter	\$2.11	\$0.00	2.11
515	Kissimmee	(\$1.05)	\$0.00	(1.05)
530	Lake City	\$3.01	\$0.00	3.01
542	Lake Park	\$8.56	\$0.00	8.56
545	Lake Worth	\$38.94	\$0.00	38.94
546	Lakeland	\$2.68	\$0.00	2.68
553	Largo	\$14.02	\$0.00	14.02
620	Melbourne & Eau Gallie (Comb.)	\$6.05	\$0.00	6.05
621	Melbourne Beach	\$6.61	\$2.21	4.40
626	Miami	\$13.13	\$0.00	13.13
627	Miami Beach	\$0.24	\$0.00	0.24
629	Miami Springs	\$3.09	\$0.00	3.09
666	Naples	\$11.26	\$0.00	11.26
675	New Port Richey	\$3.27	\$0.00	3.27
686	North Miami	\$30.29	\$0.00	30.29
687	North Miami Beach	\$140.67	\$0.00	140.67
693	Oakland Park	\$0.00	\$8.12	(8.12)
695	Ocala	\$3.44	\$0.00	3.44
725	Orlando	\$2.58	\$0.00	2.58
736	Oviedo	\$0.00	\$4.69	(4.69)
746	Palm Beach Gardens	\$39.30	\$0.00	39.30
747	Palm Beach Shores	\$2.05	\$0.00	2.05
752	Palmetto	\$5.04	\$0.00	5.04
770	Pembroke Pines	\$28.38	\$0.00	28.38
773	Pensacola	\$12.86	\$0.00	12.86
787	Pinellas Park	\$5.44	\$0.00	5.44

789	Plantation	\$10.38	\$11.74	(1.36)
796	Pompano Beach	\$132.55	\$0.00	132.55
855	St. Petersburg	\$44.75	\$5.44	39.31
856	St. Pete Beach	\$15.88	\$0.00	15.88
869	Sarasota	\$113.02	\$0.00	113.02
894	South Miami	(\$3.08)	\$4.95	(8.03)
909	Sunrise	\$0.00	\$5.17	(5.17)
911	Surfside	\$0.00	(\$4.87)	4.87
916	Tallahassee	\$2.87	\$0.00	2.87
918	Tampa	\$117.36	\$0.00	117.36
930	Titusville	(\$2.51)	\$0.00	(2.51)
966	West Palm Beach	\$75.84	\$0.00	75.84
999	Not In A Tax Territory	\$0.00	\$1,341.08	(1,341.08)
1000	Invalid Police Officer Tax Code or None Listed	\$89.09	\$0.00	89.09
	Totals	\$1,502.68	\$1,502.68	0.00
<b>Summary of Invalid Firefighter Tax Code 1000</b>	<b>Number of Entries</b>	<b>Over Allocated</b>		
171	8.98	1		
316	73.83	7		
None Listed	6.28	1		
	89.09			

#### **IV. COMMENTS AND CORRECTIVE ACTION**

Based on its review of the policy information of Capacity Insurance Company and the 1998 Report filed by the Company with the Florida Department of Revenue, the Department has determined that the report filed with the Florida Department of Revenue is inaccurate. Errors were found in 295 or 29% of the 1,045 records reviewed representing \$8,932.08 and \$1,502.68 in misallocated funds to individual Firefighters' and Police Officers' Pension Trust Funds, respectively.

**Capacity Insurance Company is directed to take the following corrective actions:**

- 1. File a corrected 1998 DR-908 report with the Florida Department of Revenue.**
- 2. Provide a copy of the corrected report to Florida Division of Retirement.**
- 3. Modify procedures for preparing reports to the Florida Department of Revenue to allow for accurate reporting.**
- 4. Provide documentation that these corrective actions have been completed to the Department of Insurance within 90 days of the issuance of this Report.**

1998 MARKET CONDUCT EXAMINATION OF:

COMPANY NAME: Capacity Insurance Company  
GROUP NAME: \_\_\_\_\_  
ADMINISTRATOR: Tommy Brinkley  
LEAD ANALYST: Cara Phillips

TOTAL WORK DAYS FROM TIME SCHEDULE \_\_\_\_\_ (IN FL) (OUT FL)  
TEAM ANALYST(S): \_\_\_\_\_,

TOTAL WORK DAYS FROM TIME SCHEDULE \_\_\_\_\_ (IN FL) (OUT FL)

TOTAL WORK DAYS FROM TIME SCHEDULE \_\_\_\_\_ (IN FL) (OUT FL)

SCOPE OF THE EXAMINATION: 1/1/98 TO 12/31/98

EXAM DATES: 3/02/00 TO 3/24/00

PRESIDENT'S NAME: Ms. Donna Buto

TELEPHONE NO: 954-978-9773

MAILING ADDRESS: 3700 Coconut Creek Parkway  
Coconut Creek, Florida 33066

EXAM LOCATION #1: 200 East Gaines Street, Tallahassee, FL  
(Street Address, City and State)

TYPE OF OFFICE: \_\_\_\_\_  
(Ex: Home, Regional, MGA, Claims)

EXAM COORDINATOR: Cara Phillips

TELEPHONE NO.(S): (850)413-2534 (800)

PHYSICAL ADDRESS: 200 East Gaines Street

MAILING ADDRESS: Same  
Tallahassee, FL 32399-0329

EXAM LOCATION #2: \_\_\_\_\_  
(Street Address, City and State)

TYPE OF OFFICE: \_\_\_\_\_  
(Ex: Home, Regional, MGA, Claims)

EXAM COORDINATOR: \_\_\_\_\_,

TELEPHONE NO.(S): ( ) (800)

PHYSICAL ADDRESS: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_