

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

FLORIDA HOSPITALITY MUTUAL INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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I. INTRODUCTION

Florida Hospitality Mutual Insurance Company is a property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1998 through December 1999. This examination began January 22, 2000 and ended February 26, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1998.

The purpose of the examination was to verify that the Company is transacting business according to Florida Statutes, specifically as it relates to retrospective rating plans.

During this examination, records reviewed included policies, agent/MGA licensing, and consumer complaints for the period of January 1998 through December 1999, 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, \$15,536 was returned to Florida consumers due to overcharges of premium 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. WORKERS' COMPENSATION

1. Application of Rules, Rates and Forms

a. General Comments

Florida Hospitality Mutual Insurance Company is a National Council on Compensation Insurance (NCCI) company and as such uses this organization's rules, rates and forms. In addition, the Company also makes some independent filings. The NCCI acts as statistical agent for this line of business.

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>
1998	\$40,225,841	1,448
1999	\$39,382,550	1,387

b. Error Percentages

Sixty (60) policies and audits were examined.

Six (6) errors were found.

Errors affecting premium resulted in three (3) overcharges totaling \$15,536.

The errors are broken down as follows:

1. Four (4) errors were due to failure to use the actual payroll, experience modification and rate for the split periods for an anniversary rating date. These errors resulted in overcharges totaling \$2,354, which have been refunded by the Company. This constitutes a violation of Section 627.191, Florida Statutes.
2. One (1) error was due to failure to allow an applicable credit for a Drug Free Workplace Certification. This error resulted in an overcharge of \$13,182, which has been refunded by the Company. This constitutes a violation of Section 627.191, Florida Statutes.
3. One (1) error was due to failure to attach an anniversary rating date endorsement to the policy. This constitutes a violation of Section 627.191, Florida Statutes.

2. Unit Statistical Review

a. Audit Comparison

Thirty (30) premium statistical cards were examined.

Five (5) errors were found.

Errors affecting statistical reporting resulted in two (2) overreports totaling \$6,734 and two (2) underreports totaling \$4,267.

The errors are broken down as follows:

1. Four (4) errors were due to failure to show the experience modification anniversary rating date split as it was shown on the audit. This constitutes a violation of Section 627.191, Florida Statutes. These errors resulted in overreports totaling \$43 and underreports totaling \$4,267. This constitutes a violation of Section 627.191, Florida Statutes.
2. One (1) error was due to failure to report the exposure and the premium as it was shown on the audit. This error resulted in an overreport totaling \$6,691 . This constitutes a violation of Section 627.191, Florida Statutes.

b. Claim Comparison

Ten (10) claim statistical cards were examined.

Four (4) errors were found.

Errors affecting statistical reporting resulted in no overreports and no underreports.

The errors are broken down as follows:

1. Four (4) errors were due to failure to report the correct injury code according to the benefits paid to the injured worker. Injury code 5 was reported instead of injury code 3 when impairment benefits were paid. This constitutes a violation of Section 627.191, Florida Statutes.

A review of the claim files was conducted as a part of the claims statistical review. Particular attention was paid to the proper and timely handling of payments, setting reserves and claim closing.

Practices and procedures appear to be within the context of the Company Claims Manual and being handled in accordance with the Statutes. Exhibit I.

IV. AGENTS/MGA REVIEW

Ten (10) applications/policies were examined.

No errors were found.

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 II.

Department of Insurance consumer complaints received during the scope of examination were reviewed, and findings are as follows:

The following complaints were reviewed.

1. American Medical Associates

No errors were found.

X. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
COMPANY CLAIMS MANUAL	I
COMPLAINT HANDLING PROCEDURES	II