

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

INTEGON NATIONAL INSURANCE COMPANY
(INTEGON CORPORATION)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 4-5-01

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.	PRIVATE PASSENGER AUTOMOBILE	3
B.	COMMERCIAL AUTOMOBILE	5
IV.	AGENTS/MGA REVIEW	7
V.	CANCELLATIONS/NONRENEWALS REVIEW	8
VI.	CLAIMS REVIEW	9
VII.	COMPLAINTS REVIEW	10
VIII.	MUNICIPAL CODING	11
IX.	EXHIBITS	12

I. INTRODUCTION

Integon National Insurance Company is a 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 November 8, 1999 and ended March 5, 2000. The last examination of this insurer by the 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.

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. 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. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Integon National Insurance Company independently files rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

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

c. Statistical Affiliation

National Association of Independent Insurers (NAII) 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	\$36,133,328	114,256
1997	\$31,804,344	100,028
1998	\$47,483,790	82,948

3. Exam Findings

Fifty (25) policy files were examined.

No errors were found.

B. COMMERCIAL AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Integon National Insurance Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

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

c. Statistical Affiliation

National Association of Independent Insurers (NAII) 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	\$17,639,591	9,921
1997	\$15,681,584	9,643
1998	\$13,898,949	8,975

3. Exam Findings

Fifty (50) policy files were examined.

Fifty (50) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Fifty (50) errors were due to failure to make Risk Management Guidelines available. This constitutes a violation of Section 627.0625, Florida Statutes.

IV. AGENTS/MGA REVIEW

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

Two (2) errors were found.

None of the errors affected policy fees.

The errors are broken down as follows:

1. One (1) error was due to failure to use an appointed agent. This constitutes a violation of Section 626.112, Florida Statutes.
2. One (1) error was due to failure to display the agent's license number on the application. This constitutes a violation of Section 627.4085, Florida Statutes.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

No errors were found.

VI. CLAIMS REVIEW

Fifty (50) claims were examined.

No errors were found.

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

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 and complaint log are in this section of the workpapers.

VIII. MUNICIPAL CODING

1. General Comments

Integon National Insurance Company writes products coming under the jurisdiction of Chapter 185, Florida Statutes.

2. Exam Findings

Twenty (20) policy files were examined.

Eight (8) errors were found.

The errors are broken down as follows:

1. Eight (8) errors were due to failure to comply with provisions of law by incorrectly allocating premium taxes. This constitutes a violation of Section 624.401, Florida Statutes.

IX. EXHIBITS

SUBJECT

EXHIBIT NUMBER

CLAIMS HANDLING PROCEDURES

I