

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

SOUTHERN FAMILY INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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I. INTRODUCTION

Southern Family Insurance Company is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination, January 1997 through December 1999. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded October 24, 1997.

The 1997 examination report included the review of homeowners policies. Violations cited included use of unfiled rates and forms, use of unappointed or unlicensed adjusters, failure to give the specific reason for cancellations and nonrenewals and failure to give timely notice of cancellation or nonrenewals.

The purpose of the current examination was to ascertain compliance with the Florida Statutes and Rules.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1997 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 and Rules.

As a result of the findings of this examination, \$273.70 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

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

Southern Family Insurance Company began operating in 1996 as a domestic property and casualty insurer. Initially, the Company was licensed to write homeowners insurance in Florida, however, they added numerous other personal and commercial lines to their Certificate of Authority. The Company is a wholly owned subsidiary of Florida Poe Holding Company, Inc., a Florida Corporation.

Southern Family Insurance Managers, Inc., (SFIM), a managing general agency, is the licensed and appointed MGA who produces all direct written business. Southern Family Insurance Managers is a subsidiary of Florida Poe Holding Company, Inc./Poe Financial Group. The Company is headquartered in Tampa, Florida. Additional information is available through the Company's web site <http://www.southernfamily.com>.

Licensed agents produce business through SFIM, the licensed Managing General Agent using direct marketing.

A staff of licensed adjusters handles all claims and subrogation submitted to the Company. Some claims files are contracted out to independent adjusters.

B. MANAGEMENT

All policies and endorsements are computer rated and issued. Written detailed procedures were provided for review of the Company's Antifraud Plan, which is filed with the Department of Insurance, Disaster Recovery Plan and Internal Audit Plan.

C. OPERATIONS

To date, substantially all of the Company's policies have come from the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA). Some business is also produced through direct marketing.

IV. REVIEW OF POLICIES

A. DWELLING FIRE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

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

b. Form Filings

Southern Family Insurance Company 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>
1997	\$ 0	0
1998	\$1,488,326	3,967
1999	\$1,389,113	3,636

3. Exam Findings

Sixty-five (65) policy files were examined.

No errors were found.

B. HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

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

b. Form Filings

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

c. Statistical Affiliation

Insurance Service 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>
1997	\$32,186,775	99,011
1998	\$39,058,105	93,358
1999	\$34,201,332	83,153

3. Exam Findings

Sixty-five (65) policy files were examined.

One (1) error was found.

The error resulted in one (1) undercharge totaling \$8.00.

The error is described as follows:

1. One (1) error was due to use of an incorrect territory. This constitutes a violation of Section 627.062, Florida Statutes. This error resulted in an \$8.00 undercharge.

V. AGENTS/MGA REVIEW

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

No errors were found.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Five (5) errors were found.

None of the errors affected premium calculations.

The errors are broken down as follows:

- 1 Five (5) errors were due to failure to give the specific reason for nonrenewal. This constitutes a violation of Section 627.4091, Florida Statutes. The Company listed the reason as “claim history” or “claim frequency”, but failed to list the specific claims that prompted the underwriting decision to nonrenew.

VII. CLAIMS REVIEW

Fifty (50) claims were examined.

Two (2) errors were found.

One (1) error resulted in underpayments totaling \$273.70 and one (1) error resulted in overpayments totaling \$775.69.

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

The errors are broken down as follows:

1. One (1) error was due to failure to deny the claim payment based on the contract provisions. This constitutes a violation of Section 626.877, Florida Statutes.
2. One (1) error was due to failure to properly adjust the claim. This constitutes a violation of Section 626.877, Florida Statutes. This error resulted in an underpayment totaling \$273.70, which has been refunded by the Company.

VIII. 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 I.

A. COMPANY RECEIVED COMPLAINTS

Ten (10) consumer complaints were reviewed.

No errors were found.

IX. EXHIBITS

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