

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

STANDARD GUARANTY INSURANCE COMPANY
(FORTIS, INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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I. INTRODUCTION

Standard Guaranty Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 through December 1998. The last examination of this insurer by the Florida Department of Insurance was completed in 1994.

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.

As a result of the findings of this examination, \$5.07 was returned to Florida consumers due to overcharges of premium, underpayments of claims 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. PRIVATE PASSENGER AUTO – LIMITED COLLISION

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

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

b. Form Filings

Standard Guaranty 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	\$1,542,054	1,286
1997	\$1,324,895	534
1998	\$1,107,622	737

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

IV. AGENTS/MGA REVIEW

Ten (10) 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 described as follows:

1. Two (2) errors were due to failure to use an appointed agent. This constitutes a violation of Section 626.112.1, Florida Statutes. This error was cited in the 1994 examination, on page 9.

V. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Three (3) errors were found.

One (1) error resulted in underreturns totaling \$5.07.

The errors are described as follows:

1. One (1) error was due to failure to accurately calculate the return premium on a cancellation. This error resulted in an underreturn totaling \$5.07, which has been refunded by the Company. This error was found in the 1994 Examination, Page 10. This constitutes a violation of Section 627.7283, Florida Statutes.
2. Two (2) errors were due to failure to provide proof of mailing notice. This constitutes a violation of Section 627.728, Florida Statutes.

VI. CLAIMS REVIEW

Fifty (50) claims were examined.

Fifty-one (51) errors were found.

None of the errors affected payments.

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

The errors are described as follows:

1. One (1) error was due to failure to properly forward auto title to the Department of Highway Safety and Motor Vehicles (DHSMV.) Nine (9) errors were found in the 1994 Examination, Page 12. This constitutes a violation of Section 319.30, Florida Statutes.
2. Fifty (50) errors were due to failure to use appointed adjusters. Forty-five (45) errors were found in the 1994 Examination, page 11 and 12. This constitutes a violation of Section 626.112, Florida Statutes.

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.

VIII EXHIBITS

SUBJECT _____ EXHIBIT NUMBER

CLAIMS HANDLING PROCEDURES I