

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

VESTA INSURANCE CORPORATION

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 3-16-01

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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 Vesta Insurance Corporation for the purpose of ascertaining compliance with the reporting requirements contained in Chapters 175 and 185, Florida Statutes. Vesta Insurance Corporation is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1998 through December 1998. This target examination began on December 17, 1999 and ended April 17, 2000.

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.

II. MUNICIPAL CODING

During 1998, Vesta Insurance Corporation wrote policies in Florida, which are subject to the reporting requirements of Chapters 175 and 185, Florida Statutes. The Company reported total premiums subject to Chapters 175 and 185 of \$111,307.00, which resulted in \$801.97 and \$577.63 of premium tax being allocated to the Firefighters’ and Police Officers’ Pension Trust Funds, respectively.

The Company reported premium taxes for fire districts and municipalities to the Florida Department of Revenue as follows:

MSC049 FEI 630854319 Insurance Premium Taxes & Fees (R.01/99) 03/22/00 15:31:08			
F20:Back Page (MA) Post 1992 Returns - Detail Pg		As Filed	As Computed
1.	Total Premium Tax Due.....(Sch 1) 1.	0.00	-1,806.03
2.	Credits Against Tax.....(Ln 11 Sch 3) 2.	1,380.00	1,380.00
3.	Net Premium Tax Due.....(Or Zero) 3.	0.00	0.00
4.	State Fire Marshal Reg Assess (Sch 10) 4.	2.00	7.04
5.	Wet Marine & Transport Tax....(Sch 11) 5.	0.00	0.00
6.	Firefighter Relief.....(Sch 12) 6.	802.00	801.97
7.	Municipal Police Relief.....(Sch 13) 7.	578.00	577.63
8.	Retaliatory Tax.....(Sch 14) 8.	0.00	0.00
9.	Annual/Quarterly Filing Fees..(Sch 15) 9.	1,000.00	1,000.00
10.	Commercial/Residential Surchg (Sch 16) 10.	3,524.00	3,524.00
11.	Total Tax Due	5,906.00	5,910.64
	Less Installments Paid in 1st Quarter:	19,612.00	19,612.00
	2nd Quarter:	19,612.00	19,612.00
	3rd Quarter:	19,612.00	19,612.00
12.	Orig 0.00 0.00 Total:	58,836.00	58,836.00
13.	Net Tax Due or Overpayment 13.	-52,930.00	-52,925.36
14.	Penalty (10% Late Penalty) 14.	0.00	0.00
15.	Interest (12% per Annum) 15.	0.00	0.00
16.	Amount Due With This Return 16.	0.00	-52,925.36
17.	Amount of Overpayment to be Refunded 17.	0.00	52,925.36
17.	Amount Refunded with Original (If Amended) 17.	0.00	0.00

On April 4, 2000, Vesta Insurance Corporation provided a copy of its amended 1998 premium tax return. An audit conducted by the Florida Department of Revenue revealed that the Federal Flood Program premiums were incorrectly included in the calculations provided to the Department of Revenue. Due to this audit, Vesta was credited a refund in the amount of \$1,183.00.

III. EXAMINATION FINDINGS

During its examination, the Department requested 1998 policy information from Vesta Insurance Corporation 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 using RMS's software to geo-code risk locations to the proper fire control district and police municipality. 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 10,958 policies.

The Department's review is summarized as follows:

FIRE DISTRICT RESULTS

The Company reported some negative premiums for 1998. This resulted in negative premiums in some districts which the Department of Insurance determined to be incorrect.

Tax Code	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
017	Bonita Springs Fire Control District	(9,048.01)	0.00	(9,048.01)
024	East Naples Fire Control District	0.00	(8,305.97)	8,305.97
040	Iona McGregor Fire Service District	0.00	(8,032.15)	8,032.15
049	North Ft. Myers Fire Control District	(8,569.27)	0.00	(8,569.27)
060	Palm Harbor Special Fire Control District	4,176.50	0.00	4,176.50
064	San Carlos Fire Service District	(21,447.10)	(3,446.86)	(18,000.24)
066	South Trail Fire Service District	202.02	(3,817.88)	4,019.90
069	Southern Manatee Fire & Rescue District	0.00	(7,159.56)	7,159.56
106	Altamonte Springs	3,527.58	0.00	3,527.58
118	Apopka	3,930.93	0.00	3,930.93
130	Auburndale	2,209.27	0.00	2,209.27
134	Avon Park	(2,309.88)	0.00	(2,309.88)
148	Bartow	1,012.69	0.00	1,012.69
191	Boynton Beach	1,879.02	0.00	1,879.02
192	Bradenton	(7,270.93)	0.00	(7,270.93)
203	Brooksville	(8,777.64)	0.00	(8,777.64)
251	Clearwater	(6,475.21)	0.00	(6,475.21)
257	Cocoa	(3,051.84)	0.00	(3,051.84)
279	Crestview	(1,465.94)	0.00	(1,465.94)
287	Dade City	(8,819.00)	0.00	(8,819.00)
298	Deland	(6,297.16)	0.00	(6,297.16)
331	Edgewater	(7,899.05)	(54.39)	(7,844.66)
349	Eustis	286.20	0.00	286.20
371	Fort Lauderdale	(62,282.82)	0.00	(62,282.82)

374	Fort Myers	(15,978.54)	0.00	(15,978.54)
379	Fort Walton Beach	(404.04)	0.00	(404.04)
387	Gainesville	(2,034.37)	0.00	(2,034.37)
415	Green Cove Springs	1,498.32	0.00	1,498.32
418	Greenville	277.13	0.00	277.13
431	Haines City	584.05	0.00	584.05
432	Hallandale	(6,462.87)	0.00	(6,462.87)
438	Havana	2,128.98	0.00	2,128.98
459	Hollywood	(4,416.29)	0.00	(4,416.29)
464	Homestead	(36,981.08)	0.00	(36,981.08)
477	Indialantic	334.11	0.00	334.11
491	Jacksonville (Consol.)	541.31	0.00	541.31
515	Kissimmee	866.36	0.00	866.36
530	Lake City	(132.09)	0.00	(132.09)
544	Lake Wales	7,472.94	0.00	7,472.94
546	Lakeland	(4,098.29)	0.00	(4,098.29)
560	Leesburg	(3,387.02)	0.00	(3,387.02)
579	Longwood	1,721.06	0.00	1,721.06
595	Madison	322.46	0.00	322.46
626	Miami	(21,247.52)	0.00	(21,247.52)
640	Milton	1,793.58	0.00	1,793.58
666	Naples	(8,305.97)	0.00	(8,305.97)
675	New Port Richey	4,177.67	0.00	4,177.67
690	North Port	(44,749.32)	0.00	(44,749.32)
695	Ocala	17,731.13	0.00	17,731.13
706	Okeechobee	(15,358.76)	0.00	(15,358.76)
722	Orange Park	4,320.12	0.00	4,320.12
725	Orlando	63,055.54	0.00	63,055.54
743	Palatka	4,772.08	0.00	4,772.08
754	Panama City	16.84	0.00	16.84
769	Pembroke Park	0.00	(6,462.87)	6,462.87
773	Pensacola	88,414.83	0.00	88,414.83
787	Pinellas Park	335.41	0.00	335.41
790	Plant City	2,202.80	0.00	2,202.80
811	Punta Gorda	(3,220.24)	0.00	(3,220.24)
816	Quincy	2,511.01	0.00	2,511.01
831	Riviera Beach	7,779.36	0.00	7,779.36
846	St. Augustine	1,135.72	0.00	1,135.72
849	St. Cloud	(1,011.40)	0.00	(1,011.40)
855	St. Petersburg	(2,007.44)	0.00	(2,007.44)
869	Sarasota	1,873.02	0.00	1,873.02
874	Sebring	(4,930.92)	0.00	(4,930.92)
875	Seminole	106.19	0.00	106.19
900	Starke	472.68	0.00	472.68
916	Tallahassee	25,326.32	0.00	25,326.32
918	Tampa	12,804.16	0.00	12,804.16
930	Titusville	1,008.81	0.00	1,008.81
941	Venice	(61,074.01)	0.00	(61,074.01)

966	West Palm Beach	(526.60)	0.00	(526.60)
985	Winter Haven	4,188.64	0.00	4,188.64
986	Winter Park	1,274.28	0.00	1,274.28
999	Not In A Tax Territory	0.00	(74,489.88)	74,489.88
		(111,769.56)	(111,769.56)	0.00

POLICE OFFICER MUNICIPALITY RESULTS

TaxCode	Location	Over Allocated	Under Allocated	Net Over (Under) Payment to District
106	Altamonte Springs	694.62	0.00	694.62
118	Apopka	774.04	0.00	774.04
130	Auburndale	435.03	0.00	435.03
134	Avon Park	(454.84)	0.00	(454.84)
148	Bartow	199.41	0.00	199.41
169	Bellevue	1,387.97	104.30	1,283.67
191	Boynton Beach	370.00	(1,555.41)	1,925.41
192	Bradenton	(1,431.73)	0.00	(1,431.73)
203	Brooksville	(1,728.42)	0.00	(1,728.42)
251	Clearwater	(1,275.04)	0.00	(1,275.04)
257	Cocoa	(600.94)	0.00	(600.94)
279	Crestview	(288.66)	0.00	(288.66)
287	Dade City	(1,736.56)	0.00	(1,736.56)
292	Davie	0.00	(1,729.81)	1,729.81
298	Deland	(1,239.98)	0.00	(1,239.98)
331	Edgewater	(1,555.41)	0.00	(1,555.41)
333	Edgewood	0.00	(10.71)	10.71
349	Eustis	56.36	0.00	56.36
365	Florida City	0.00	(15,928.83)	15,928.83
371	Fort Lauderdale	(12,264.18)	0.00	(12,264.18)
374	Fort Myers	(3,146.35)	0.00	(3,146.35)
377	Fort Pierce	0.00	1,558.56	(1,558.56)
379	Fort Walton Beach	(79.56)	0.00	(79.56)
387	Gainesville	(400.59)	0.00	(400.59)
415	Green Cove Springs	295.04	0.00	295.04
418	Greenville	54.57	0.00	54.57
431	Haines City	115.01	0.00	115.01
432	Hallandale	(1,272.61)	0.00	(1,272.61)
459	Hollywood	(869.62)	(1,175.99)	306.37
464	Homestead	(7,281.99)	0.00	(7,281.99)
477	Indialantic	65.79	0.00	65.79
485	Inverness	(2,672.04)	(646.05)	(2,026.00)
491	Jacksonville (Consol.)	106.59	0.00	106.59
515	Kissimmee	170.60	0.00	170.60
524	Lady Lake	0.00	(657.51)	657.51
526	Lake Alfred	0.00	144.84	(144.84)
530	Lake City	(26.01)	0.00	(26.01)
544	Lake Wales	1,471.51	0.00	1,471.51
546	Lakeland	(807.00)	0.00	(807.00)
560	Leesburg	(666.94)	0.00	(666.94)
579	Longwood	338.90	0.00	338.90
595	Madison	63.50	0.00	63.50

626	Miami	(4,183.87)	0.00	(4,183.87)
640	Milton	353.18	0.00	353.18
666	Naples	(1,635.54)	0.00	(1,635.54)
675	New Port Richey	822.63	0.00	822.63
690	North Port	(8,811.64)	0.00	(8,811.64)
695	Ocala	3,491.46	0.00	3,491.46
706	Okeechobee	(3,024.31)	0.00	(3,024.31)
722	Orange Park	850.68	0.00	850.68
725	Orlando	12,416.34	0.00	12,416.34
743	Palatka	939.68	0.00	939.68
754	Panama City	3.32	0.00	3.32
773	Pensacola	17,409.87	0.00	17,409.87
787	Pinellas Park	66.05	0.00	66.05
790	Plant City	433.76	0.00	433.76
807	Port St. Lucie	0.00	141.27	(141.27)
811	Punta Gorda	(634.10)	0.00	(634.10)
816	Quincy	494.45	0.00	494.45
831	Riviera Beach	1,531.84	0.00	1,531.84
846	St. Augustine	223.64	0.00	223.64
849	St. Cloud	(199.16)	0.00	(199.16)
855	St. Petersburg	(395.29)	0.00	(395.29)
869	Sarasota	368.82	0.00	368.82
873	Sebastian	0.00	172.64	(172.64)
874	Sebring	(970.95)	0.00	(970.95)
879	Shalimar	0.00	0.00	0.00
900	Starke	93.08	0.00	93.08
916	Tallahassee	4,987.04	0.00	4,987.04
918	Tampa	2,521.28	0.00	2,521.28
920	Tarpon Springs	0.00	822.40	(822.40)
930	Titusville	198.65	0.00	198.65
941	Venice	(12,026.16)	0.00	(12,026.16)
954	Wauchula	187.17	527.60	(340.43)
963	West Melbourne	57.89	0.00	57.89
966	West Palm Beach	(103.69)	0.00	(103.69)
985	Winter Haven	824.79	0.00	824.79
986	Winter Park	250.92	0.00	250.92
999	Not In A Tax Territory	0.00	(41,260.76)	41,260.76
1000	Invalid Police Officer Tax Code or None Listed	(42,835.67)	0.00	(42,835.67)
		(59,493.47)	(59,493.47)	0.00
Summary of Invalid Firefighter Tax Code 1000	Number of Entries	Over Allocated		
017	(24,962.00)	24		
024	(1,850.00)	1		
027	(270.62)	6		
047	388.88	8		
049	(4,873.87)	30		
050	(907.32)	1		

053	(2,613.56)	3		
060	936.90	13		
066	228.23	13		
073	3,402.72	82		
238	86.70	4		
303	436.82	8		
316	26.27	2		
438	265.20	4		
769	737.64	1		
844	(1,324.46)	1		
875	56.36	4		
000	(12599.53)	63		
	(42,835.67)	268		

IV. COMMENTS AND CORRECTIVE ACTION

Based on its review of the policy information of Vesta Insurance Corporation 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 4,487 or 41% of the 10,958 records reviewed representing (\$111,769.56) and (\$59,493.47) in misallocated funds to individual Firefighters' and Police Officers' Pension Trust Funds, respectively.

Vesta Insurance Corporation is directed to take the following corrective actions:

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