

2002 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

**ALPHA PROPERTY AND CASUALTY INSURANCE COMPANY
(UNITRIN, INC.)**

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

CERTIFICATE OF AUTHORITY – AUTHORIZED LINES 3

COMPANY OPERATIONS/MANAGEMENT..... 4

REVIEW OF POLICIES 8

PRIVATE PASSENGER AUTOMOBILE 8

CANCELLATIONS/NONRENEWALS REVIEW 11

COMPLAINTS/INVESTIGATION REVIEW 13

CLAIMS REVIEW..... 15

AGENTS/MGA REVIEW/ADVERTISING/MARKETING..... 16

PENDING ISSUES..... 17

EXHIBITS 18

EXECUTIVE SUMMARY

Alpha Property and Casualty Insurance Company (Company) is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination. The scope of this examination was January 1, 2001 through February 28, 2002. The examination began March 24, 2002 and ended June 15, 2002. The last property and casualty market conduct examination of this insurer conducted by the Florida Department of Insurance was concluded in January 1993.

The purpose of this examination was to review the issues behind the volume of consumer complaints received by the Department of Insurance. Based on a review of the consumer complaints filed against the Company, the Department focused on the use of credit reports, premium issues, cancellation due to nonpayment resulting from up-rating, claim delays, and the use of independent medical examinations.

A total of three hundred and ten (310) files were examined with ninety-eight (98) errors identified. The following represents general findings; however, specific details are found in each section of the report.

One hundred (100) private passenger automobile policies were examined with eighty-one (81) errors noted. The Company gets verbal approval over the phone to check an applicant's credit history. When an applicant was quoted a premium higher than the premium charged customers with better credit scores, the Company did not notify the applicant of how he could obtain a copy of his credit report or the reason for the increased premium (76 of the 81 errors). The Company disagreed that it was in violation of Rule 4-125.004, Florida Administrative Code, but nonetheless changed its practices. When customers did not return signed applications, one Company underwriter increased limits or added coverages and adjusted the premium based on those changes, then cancelled the policy for failure to return a signed application, and billed the customer for earned premium based on the increased premium level. The Company discovered this underwriter's practice and stopped it prior to commencement of the examination. The Company failed to get signed uninsured motorists acceptance/rejection forms and issued a policy with stacked uninsured motorists coverage when the insured requested non-stacked.

Fifty (50) complaint files were examined. One (1) error was identified. When the insured failed to return the signed application, proof of prior insurance, and proof that he was a homeowner, the Company changed the original policy limits requested to the filed limits for all coverages. At the same time, the Company sent a cancellation notice for failure to return the signed application, and billed for the earned premium based on the higher limits.

Fifty (50) cancellations and nonrenewals were examined. Ten (10) errors were noted. The Company failed to provide proof of mailing of cancellation notice, failed to provide a copy of a notice of cancellation, failed to give adequate advance notice of cancellation, and failed to return premium timely. The Company failed to submit Form DI4-493 to the Department on policies cancelled ab initio for insufficient funds.

Eighty-five (85) claim files and fifteen (15) PIP/IME files were examined with six (6) errors identified. The Company applied for the appointment of an adjuster, but allowed the person to adjust claims prior to receiving the appointment. There was no documentation in three (3) files that the notice of personal injury protection rights and benefits had been provided to claimants.

Ten (10) files were examined for the agents/MGA/advertising review with no errors noted.

The Company was requested to develop a plan to bring it into compliance with the use of credit reports. The Company amended its practices, and now provides a Notice to all new policyholders who are not rated in a lower priced tier because of their credit scores, advising them how to obtain a copy of their credit report, even though the Company disagrees that this requirement is stated in Rule 4-125.004, Florida Administrative Code.

At the examiner's request, the Company reviewed its book of cancelled policies to identify any that were increased to maximum policy limits or added coverages. The Company review determined that all overcharges were due to one underwriter and were not a result of a Company-wide practice. In cases where any premium was paid by the insureds for maximum limits, the Company readjusted the policy and returned overcharges to insureds. It also discontinued advising insureds on the billing of maximum or up-rated policies that the Company may refer them to a collection agency if payment is not made in a specific time. The Company did state that no one had been turned over to a collection agency and that premium was written off. The Company completed all corrective actions by July 29, 2002.

As a result of the findings of this examination, \$2,994.21 was returned to Florida consumers due to overcharges of premium. One subset of overcharges was related to the practice of one underwriter who increased policy limits to the maximum when applications were not returned. The Company corrected 28 affected policies resulting in refunds totaling \$588.36, and credits totaling \$4,667.00 to policies with unpaid premium balances. See Pending Issues Section.

CERTIFICATE OF AUTHORITY – AUTHORIZED LINES

GENERAL COMMENTS

The Certificate of Authority and Renewal Invoices were reviewed for all years within the scope of the examination.

EXAM FINDINGS

The review included verification of the lines of business the Company was authorized to write during the scope of the examination versus those lines actually being written. It also included verification that notification requirements were met for any lines of business that were discontinued.

No errors were found.

COMPANY OPERATIONS/MANAGEMENT

HISTORY/MANAGEMENT

Alpha Property and Casualty Insurance Company (Alpha) was organized as a Wisconsin domestic stock insurance company in 1979, as a wholly-owned subsidiary of Family Insurance Corporation (Family), a Wisconsin-domiciled life and health insurer. The registered office of the corporation was located in Shawano, Wisconsin. The ultimate parent of Alpha was Wisconsin Finance Corporation (WFC). WFC was sold in 1985 to United Savings of America, and was then merged into Heights Finance, where its name was changed to USA Financial Services, Inc.

On December 31, 1991, Alpha was conveyed as a dividend to USA Financial Services, Inc., by Family to facilitate the sale of Family and Alpha to different entities. On December 31, 1992, Milwaukee Insurance Group, Inc., (MIG) purchased Alpha.

MIG was an insurance holding company which was then controlled by Milwaukee Mutual Insurance Company. The statutory home office of Alpha was moved to 803 West Michigan Street, Milwaukee, Wisconsin.

On October 2, 1995, 100% of the common stock of MIG was acquired by Trinity Universal Insurance Company (TUIC), a wholly-owned subsidiary of Unitrin, Inc., a Delaware corporation. On July 24, 2001, MIG was dissolved and Alpha was distributed to MIG's parent, TUIC. TUIC remains the sole owner of Alpha.

In April 2001, Alpha and Unitrin Direct Insurance Company (UDIC) executed a General Services Agreement authorizing UDIC to administer the direct marketing of the private passenger automobile business of Alpha written in Florida. UDIC began writing Alpha policies in May 2001. The "service mark" used by UDIC to market personal auto insurance is "Unitrin Direct Auto Insurance".

The home office of Unitrin Direct Auto Insurance is located at 2790 Business Park Drive, Vista, CA 92083. Also housed at this location are the executive offices, product marketing, finance, information technology, sales, policyholders services, corporate claims and the California claims department. There are two claims offices. Florida claims are handled by the Tampa Claims Office located at 411 West Kennedy Boulevard, Tampa, FL 33609. The Pennsylvania Claims Office is located at 8101 Washington Square, Suite 201, Wycote, PA 19095. This Pennsylvania office handled the Florida Claims prior to the opening of the Florida Claims Office. There are no branch offices.

Alpha is a stock company with the home office located at 803 West Michigan Street, Milwaukee, Wisconsin. The business is segregated into four broad segments: (1) Multi Lines Division (2) Specialty Lines Division, (3) Unitrin Direct, and (4) Career Agency Companies. The Special Lines Division is located in Woodland, CA., and handles the motorcycles and boats written through the general lines agency in Jacksonville, FL. Unitrin Direct handles the non-standard private passenger automobile included in the scope of this examination.

Corporate officers are: Chairman of the Board – Donald G. Southwell; President – John W. Mullen; Vice President & Treasurer – Phillip R. Lombardo, Secretary - -Gregory L. Himebauch; and Vice President – David J. Pierce.

COMPANY PROCESSES/STATISTICAL AFFILIATIONS

Computer System

There are two main computer systems used for processing. The VISTA System was purchased from Decision Research Corporation of Honolulu, HI, and performs quoting, binding, policy issuance, endorsement processing, and billing functions. The second system, Claim Connect System, was purchased from PDA Software Services of Kansas City, KS. Other systems used are Oracle Financials for financial processing, Exstream for document generation, and Bottom Line Technologies for check printing. All systems used, with the exception of Oracle Financials, are located in the Vista Office. Oracle Financial Systems resides in Unitrin's Corporate Data Center in Oakbrook, IL.

Anti-Fraud Plan

The Company has filed a Plan with the Florida Department of Insurance as required by Section 626.9891, Florida Statutes.

The Plan does meet the requirements by establishing a Special Investigation Unit. This Unit is located in the Florida Claim Office located in Tampa, Florida.

Disaster Recovery Plan

The Company has developed a Disaster Recovery Plan for use with Florida business. The Disaster Recovery Plan includes a backup and off-site storage of all critical data on a daily basis. Unitrin's Corporate Data Center in Oakbrook, Illinois, is also used as a backup site in case of disaster.

Internal Audit Procedures

The Company has developed Internal Audit Procedures for use in reviewing Florida business. Unitrin Services Company conducts periodic audits of Unitrin Direct Insurance Company which includes business processed for Alpha. These include general control reviews, financial audits as well as security audits. In addition, periodic quality reviews of internal processes are conducted.

Privacy Plan

The Company has developed a Plan to meet the requirements of Emergency Rule 4ER-01. The Call Center representatives must advise the customer of the Privacy Policy and its purpose. If the applicant agrees to receive the Privacy Policy later to avoid delaying his purchase of coverage, it is mailed along with the application. If the applicant does not agree, the representative advises them there will be a delay in providing coverage and mails an application and Privacy Policy. The soonest coverage may become effective is the day following the

postmark of the envelope in which the application is returned. Internet purchasers are required to read the Privacy Policy before purchasing. The Privacy Policy is mailed to customers along with all new applications, reinstatements and renewals.

Statistical Affiliations

Alpha Property & Casualty Insurance Company is a subscriber of Insurance Services Office, Inc., (ISO) for personal automobile and uses its symbol pages and some of its forms. The National Association of Independent Insurers acts as the Company's statistical agent.

Credit Reports

The Company uses credit reports as one of the criteria in underwriting. The credit score determines whether the named insured or rated spouse has acceptable, satisfactory, average, above average or superior credit bureau score and is one of the components used to determine which rating tier the applicant will be placed. The rating tiers consist of (1) Non-Standard or Fair (score less than 597), (2) Middle Market or Satisfactory (Score 597-643), (3) Standard or Average (credit score 644-700), (4) Preferred or Above Average (credit score of 701-750), and (5) Ultra or Superior (credit score 751 or more). The applicant can have a superior credit score and still be placed in one of the higher rated tiers. For instance, if the applicant has no prior insurance, lapse of coverage of more than 30 days or no bodily injury on their prior policy, they are placed in the middle market tier. Another instance would be if prior insurance has lapsed 1-30 days and prior bodily injury limits were 10/20, they are placed in the standard tier. A final example would be if an applicant has no lapse in coverage, but prior bodily injury limits were 10/20, they are placed in the preferred tier. Out of a sample size of one hundred policies, sixty-three percent were placed in the preferred and ultra tiers.

Prior insurance is used and considers: (1) If the named insured has proof of private passenger automobile liability insurance and provided six months of continuous liability coverage for the named insured or rated spouse; (2) If there was a lapse in coverage of 0 days, 1-30 days, or greater than or equal to 31 days prior to the inception of the Company policy; and (3) if the prior private passenger automobile liability insurance bodily injury limits were written at the statutory minimum, greater than minimum but less than 100/300 or greater than or equal to 100/300.

The Company was also using an underwriting plan that, although it had been filed with and approved by the Department, permitted consideration of non-chargeable incidents. The Company was advised during the examination that this was a violation of statute and the examiner requested that the Company amend its filing to eliminate these criteria. In response, the Company amended the pending "Use and File" rate filing effective October 15, 2001.

OPERATIONS/MARKETING

Marketing

The Company writes motorcycles, boats and non-standard private passenger automobile insurance coverages in the State of Florida. The 1993 examination of the Company included the review of private passenger automobile physical damage, homeowners and motorcycle policies. Homeowners Multi-Peril remains on the Company's Certificate of Authority, but homeowners is no longer written in Florida.

The Company's non-standard private passenger automobile initial filing was approved effective April 8, 2001 and the first policy was sold on May 4, 2001.

The primary methods of marketing include direct mail, television advertising and the Internet.

Agents/Agencies/MGA/Exchange of Business/Direct Response/Internet/Adjusters and Claims Handling

The Company uses the direct response method for developing new business in the State of Florida. A staff of bilingual (English/Spanish) licensed and appointed non-resident agents is used to quote and respond to inquiries relative to private passenger automobile coverages. The agents are housed in a telephone call center located in the Vista, CA. Office. The Company's web site is www.unitrindirect.com.

The Company uses licensed and appointed adjusters, except where noted within this report, to handle claims. Independent appraisers are used in outlying areas.

Lines of Business

During the scope of this examination, the Company wrote non-standard private passenger automobile, motorcycles and boat insurance. Only private passenger automobile was examined during this review.

REVIEW OF POLICIES

PRIVATE PASSENGER AUTOMOBILE

Description of Product/Lines of Business

The current examination involved a complete review of private passenger automobile coverages including bodily injury liability, property damage liability, personal injury protection, uninsured motorist, comprehensive, collision, towing and rental reimbursement.

The Company has five (5) rating tiers for the placement of new business policies based on the qualifying characteristics of the risks being rated. The qualifications used to determine which rating tier is used for an individual risk are: prior insurance in-force for the six months prior to the inception of the Company's policy, the number of days coverage has lapsed, credit score, and prior policy bodily injury limits. Financial responsibility is determined by obtaining a credit score on the rated individual and spouse. The score model is the Standard-ASSIST model developed by Fair-Isaac and the credit score vendor is Choicepoint.

No one is denied coverage due to his or her credit score. The lower the credit score, the higher the premium. When the applicant calls into the Call Center, permission is requested for the Company to access their credit history. If the applicant agrees, the system accesses the information from the credit score vendor. The credit score is available by the time the licensed non-resident agent gets the information needed to give a quote. If the applicant does not provide permission, the applicant is directed to the Company's web page.

A high credit score (excellent credit) does not guarantee that the applicant will be placed in the tier with the lowest rates. An applicant that has excellent credit, but does not have prior insurance or no prior bodily injury coverage (PIP/PD only policy) would be placed in the standard or middle market tier. Out of the sample size of one hundred policies, sixty-three percent were placed in the two tiers with the lowest rates.

The first two months premium can be paid by credit card or check-by-phone. When this is done, the quote is converted to a policy. This policy, along with identification cards and application, are mailed to the insured for completion and return to the Company. The completed application must be returned along with proof of prior insurance and proof that they are a homeowner. If this is not received timely, the policy is up-rated by removing the credit for the prior insurance and home ownership. The up-rated policy is mailed to the insured along with an invoice requesting payment of the uprated premium. At the same time the Company mails a cancellation notice for non-payment of premium, if payment is not received within the allocated time frame.

There were no renewals issued during the scope of this examination, January 2001 through February 2002, since the Company only started writing in May 2001. The Company has amended the pending rate filing to include retiering at renewal. The amended filing states that insureds written in Alpha Property and Casualty Insurance Company will go through the Company's retiering at renewal if the policy has remained in-force for twenty-four (24)

continuous months. During the twenty-four (24) month period, there can not be any late payments or chargeable accidents or violations. If the insured meets these criteria, then the Company will order a current credit bureau score and re-underwrite the policy. If the insured qualifies for a lower priced underwriting /financial responsibility tier combination they will be retired. An insured will not be retired to a higher price tier. This process will be repeated every twenty-four months. If an insured does not qualify for a lower priced underwriting/financial responsibility tier combination, the criteria will be reviewed again at each annual renewal.

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>
2001	\$12,676,000	7,668
2002	\$ 1,792,000	8,766

Note: Figures for 2001 are from 5/1/01-12/31/01 and 2002 are from 1/1/02 - 2/28/02

Examination Findings

One hundred (100) policy files were examined.

Eighty-one (81) errors were found.

Errors affecting premium resulted in two (2) overcharges totaling \$1,328.82.

The errors are broken down as follows:

1. Seventy-six (76) errors were due to failure to advise applicants how they can obtain a copy of their credit report when the applicant is quoted a higher premium than the premium for customers with better credit scores, a violation of Rule 4-125.004, Florida Administrative Code. The Company disagreed that it was in violation of this Rule, but changed its practices. The Company now provides a Notice to all new policyholders that are not rated in a lower priced tier because of the credit bureau score. These errors did not result in overcharges or undercharges. See Exhibit I.
2. Three (3) errors were due to failure to offer/obtain/maintain signed uninsured motorist acceptance/rejection forms. This constitutes a violation of Section 627.727, Florida Statutes. These errors were due to failure to obtain signed uninsured motorists acceptance/rejection forms. These errors did not result in overcharges or undercharges.

3. One (1) error was due to failure to comply with unfair trade practice requirements. This constitutes a violation of Section 626.9541(1)(o)(1), Florida Statutes. The Company changed original policy limits requested by the policyholder with a premium of \$1,671 to the highest filed limit with a premium of \$6,164. The Company cancelled the policy for non-payment of premium at the same time they maxed the coverages and billed the insured for earned premium of \$1,298 based on the \$6,164 premium. This error resulted in an over-billed earned premium of \$1,213.82. The Company disagreed that this is a violation of Section 626.9541, Florida Statutes, but nonetheless has advised the insured that his account has been credited \$1,231.82 and the correct amount due is \$84.18. See Exhibit II. The Company has identified 104 policies where the policy limits have been maxed and has been requested to credit or refund any premium paid on these maxed coverages to the insureds. See Exhibit III.
4. One (1) error was due to failure to follow the filed rate, rating schedule, rating rule or underwriting guidelines. This constitutes a violation of Section 627.0651, Florida Statutes. The insured requested non-stack uninsured motorist coverage and the policy was issued with stacked uninsured motorist coverage. This error resulted in an overcharge totaling \$115.00, which has been refunded by the Company.

CANCELLATIONS/NONRENEWALS REVIEW

DESCRIPTION OF CANCELLATION/NONRENEWAL PROCEDURES

On the cancellations and nonrenewals reviewed, Alpha Property & Casualty Insurance Company calculated the private passenger automobile cancellation return premium at pro-rata. Flat cancellation procedures for insufficient funds on the original down payment were not followed due to failure to complete Form DI4-493, and file with the Department. Notices and refunds were sent directly from the Company to the named insured and contained the prescribed language.

CANCELLATION REVIEW

Forty-eight (48) cancelled policies were examined.

Ten (10) errors were found.

The errors are broken down as follows:

1. One (1) error was due to failure to provide proof of mailing of the cancellation notice. This constitutes a violation of Rule 4-167.010, Florida Administrative Code. This error was due to the Company having no proof of mailing the cancellation notice.
2. One (1) error was due to failure to return cancellation premium in a timely manner. This constitutes a violation of Section 627.7283, Florida Statutes. This error was due to the Company returning the cancellation late. Interest due the insured was \$1.00, therefore it was waived.
3. Four (4) errors were due to failure to provide notice of cancellation or proof of mailing. This constitutes a violation of Section 627.728, Florida Statutes. These errors were due to failure to provide a copy of the cancellation notice and proof of mailing, as requested.
4. Three (3) errors were due to failure to submit Form DI4-493 on policies cancelled ab initio for insufficient funds. This constitutes a violation of Rule 4-167.002, Florida Administrative Code. These errors were due to the Company not reporting the cancellations to the Department as required.
5. One (1) error was due to failure to give proper advance notice of cancellation. This constitutes a violation of Section 627.7281, Florida Statutes. This error was due to Company giving less than the required number of days advance notice to the insured.

NONRENEWAL REVIEW

Two (2) nonrenewed policies were examined.

No errors were found.

Only two nonrenewals were reviewed because the Company began writing in Florida in May 2001 and the first policies were just beginning to come up for renewal. Two were found and reviewed, therefore forty-eight (48) cancellations were reviewed to obtain a sample size of fifty (50).

COMPLAINTS/INVESTIGATION 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.

Consumer complaints received during the scope of examination were reviewed and findings are as follows:

COMPLAINTS RECEIVED FROM DOI (Sample From Complaint Log)

Consumer Services Ref. No.	Alleged Violation	Violation Found	Comments
Cattanio S0001-0051108	claim handling delay	None	motorcycle policy
Welsh S001-0052573	comparative negligence	None	no policy found under this name
Conboy S0102-0004717	premium issue	None	
Tessner S0102 0005876	premium issue	None	
Schmidt S0102-008173	premium issue	None	
Veliz S01020010706	premium refund	None	
Ehsani S01020012256	premium misquote	None	
Ruiz S01020015827	claim handling delay	None	
Clement S010200113627	premium issue	None	
Brajewska S01020018022	premium issue	None	
Financial S01020019521	claim denial	None	
Scialo S01020020542	premium misquote	None	
Windsor S01020020389	premium refund	None	
Lugo S01020020632	premium refund	None	
Deming S01020023798	cancel/nonrenewal non-pay	None	
Hall S01020022460	premium refund	None	
McCaskill S01020026142	premium issue	None	
Barfield S01020018320	agent handling	None	motorcycle policy-Invest. of agent
Guerrero S01020032949	claim denial	None	
Varela S01020025226	cancel/nonrenewal nonpay	None	
Breslau S01020033299	underwriting issue	None	
McMahon S01020035378	premium issue	None	
Escalante S01020035606	cancel/nonrenewal nonpay	None	
Vasat S01020036615	premium issue	None	
Medlar S01020037682	agent handling	None	
Jordan S01020038919	premium issue	None	
Restropo S01020041151	unsatisfactory settlement	None	
Dietz S01020039128	claim handling delay	None	
Stewart S01020039581	refund	None	
Stewart S0102000047484	premium refund	None	
Wierzba S01020018022	premium issue	None	
Baumgartner S01020042694	cancel/nonrenewal nonpay	None	uprate
Gentry S01020027045	premium misquote	None	uprate
Hanna S01020041690	unsatisfactory settlement	None	
Carter S01020045329	cancel/nonrenewal nonpay	None	
Nicholas S01020042522	coverage question	None	
Hayes S01020046041	cancel/nonrenewal nonpay	None	uprate
Leggett S01020038387	cancel/nonrenewal nonpay	None	
Refried S01020029057	cancel/nonrenewal nonpay	None	
Reyes S01020047559	cancel/nonrenewal nonpay	626.9541(1)(o)(1)	maxed policy limits & cancelled
Fey 01020047981	premium refund	None	uprate
Peluso S01020053492	premium issue	None	uprate
Sterns S01020054647	premium issue	None	uprate
Blythe	cancel/nonrenewal non-pay	None	Better Business Bureau inquiry
McFadden	premium issue	None	uprate
Scoone	premium issue	None	uprate
Guess	premium issue	None	
Komiar	premium issue	None	uprate
Rombca	cancel/nonrenewal/non-pay	None	uprate
Keels	cancel/nonrenewal/non-pay	None	uprate

Fifty (50) complaint files were examined.

One (1) error was found.

The error is described as follows:

1. One (1) error was due to failure to comply with unfair trade practice requirements. This constitutes a violation of Section 626.9541(1)(o)(1), Florida Statutes. The Company changed the policy limits originally requested by the policyholder with a premium of \$1,631 to the highest filed limit with a premium of \$6,350. The Company cancelled the policy for non-payment of premium at the same time they maxed the coverages and billed the insured for earned premium of \$851.40 based on the \$6,350 premium. This error resulted in an over-billed earned premium of \$ 851.40. After the Department of Insurance was contacted, the Company adjusted the premium back to the original requested limits and premium. The insured paid the earned premium of \$10.40. Company disagrees that it is in violation of Section 626.9541(1)(o)(1). See Exhibit IV.

CLAIMS REVIEW

DESCRIPTION OF CLAIMS REVIEWED – NON-PPA/MEDICAL REVIEWS

Examination Findings

Eighty-five (85) claims were examined. This examination included the review of claims made under private passenger automobile insurance policies and included the following types of coverages: bodily injury and property damage liability, personal injury protection benefits, uninsured motorist, physical damage including comprehensive and collision, rental reimbursement, and towing.

Six (6) errors were found.

The errors are broken down as follows:

1. Three (3) errors were due to use of an unappointed adjuster. This constitutes a violation of Section 626.112, Florida Statutes. These errors were due to the adjuster settling claims prior to appointment. The Company applied for a temporary appointment on December 5, 2001, but allowed the adjuster to work prior to receipt of the appointment on February 4, 2002.
2. Three (3) errors were due to failure to provide notice of PIP rights and benefits. This constitutes a violation of Section 627.7401, Florida Statutes. These errors were due to no documentation in the files that the notice had been sent.

DESCRIPTION OF CLAIMS REVIEWED – PPA/MEDICAL REVIEWS

Examination Findings

Fifteen (15) claims were examined. This examination included the review of claims made under private passenger automobile policies for personal injury protection benefits, uninsured motorists and bodily injury. Six (6) files were referred for independent medical examination and nine (9) were paper reviews.

No errors were found.

AGENTS/MGA REVIEW/ADVERTISING/MARKETING

DESCRIPTION OF MGA ARRANGEMENTS

The Company does not utilize MGAs or any other type of agency arrangement for its Florida Private Passenger Automobile business. All business is quoted over the phone by licensed Customer Service Representatives.

Examination Findings

Ten (10) applications/policies written during the scope of examination were examined.

No errors were found.

PENDING ISSUES

The following issues were pending at the conclusion of the examination field work:

MONETARY ISSUES

Private Passenger Automobile and Complaints Review

1. One Company underwriter removed the credits for prior insurance and homeownership, maxed policy limits, then cancelled because the customer did not return the signed application and billed for earned premium at the maxed limits. This involved one hundred and four (104) policies. Fifty-four (54) policies were corrected by the time by the time the field examination concluded.
2. Upon the examiner's request, the Company amended their filing to remove surcharges for non-chargeable incidents effective October 15, 2001.

CORRECTIVE ACTIONS

Private Passenger Automobile Review

1. At the Department's request, the Company identified and rerated new or cancelled private passenger automobile policies with maxed policy limits and refunded any monies collected. As noted above, fifty-four (54) policies were corrected by the time the field examination concluded. Out of the remaining fifty (50) files, twenty-eight (28) insureds paid at least one installment at the higher premium. By July 29, 2002, the Company completed its review and correction of those policies, resulting in refunds totaling \$588.36, and credits totaling \$4,667.00 to policies with unpaid earned premium balances. See Exhibit V.
2. At the Department's request, the Company identified and rerated all new or cancelled private passenger automobile policies with an effective date of October 15, 2001 to present that were placed in a higher premium tier due to non-chargeable incidents, and returned any monies collected plus interest. This involved twenty-eight (28) policies. By July 29, 2002, the Company completed its review and correction, resulting in refunds totaling \$2,405.85, and credits totaling \$16,303.15 to policies with unpaid earned premium balances. See Exhibit V.

EXHIBITS

SUBJECT

EXHIBIT NUMBER

PRELIMINARY ADVISORY CREDIT RULE	I
PRELIMINARY ADVISORY MAXED POLICY-RODRIGUEZ	II
PRELIMINARY ADVISORY MAXED POLICY-REYES	III
REQUEST TO REMOVE NON-CHARGEABLE INCIDENTS	IV
REQUEST TO RERATE	V