

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

GATEWAY INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 9/14/01

TABLE OF CONTENTS

<u>PART NUMBER</u>	<u>SUBJECT</u>	<u>PAGE NUMBER</u>
I.	INTRODUCTION	1
II.	UNEARNED PREMIUM REFUNDS	2
III.	EXHIBITS	4

I. INTRODUCTION

Gateway Insurance 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, January 1999 through April 2000. The examination began October 23, 2000 and ended January 12, 2001. This is the first property and casualty market conduct examination of this insurer by the Florida Department of Insurance.

The purpose of the current target examination was to review the timeliness of refunding unearned premiums.

During this examination, records reviewed included unearned premium refunds for the period of January 1999 through April 2000, 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.

II. UNEARNED PREMIUM REFUNDS

Seven thousand nine hundred and three (7,903) unearned premium refunds were examined.

Four thousand eight hundred fifty-eight (4,858) errors were found.

The errors are broken down as follows:

1. Four thousand eight hundred fifty-seven (4,857) errors were due to unearned premium refunds not being returned within 30 days. This constitutes a violation of Section 627.7283, Florida Statutes. The premiums have all been refunded, however, were not timely.

Computer runs for years 1999 and 2000 were reviewed. These runs were to contain all information to ascertain if unearned premiums, due to cancelled policies, were returned within 30 days. Additional requests were made for information not originally provided.

Correspondence from the Company dated October 25, 2000 and December 5, 2000, stated that MHD Agency's (the Company's MGA) computer system was not functioning properly from May 1999 to September 1999. Cancellation refunds were not processed timely after September 1999. Exhibit I.

Information received from the Company for the period of May 1999 through June 2000, reflected that as of April 2000, cancellation refunds were not being processed within the required 30 day time frame required by Section 627.7283, Florida Statutes. Exhibit II.

Discussion with Company management revealed that they could not give a date of corrections, and that this line of insurance was being nonrenewed beginning March 2000. Private Passenger Automobile is the only line of insurance written in Florida.

2. One (1) error was due to withdrawal of the Private Passenger Automobile line of insurance written in Florida without notification to the Florida Department of Insurance. This constitutes a violation of Section 624.430, Florida Statutes.

III. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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CORRESPONDENCE FROM COMPANY STATING PROBLEM CORRECTED AS OF 9/20/99	I
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CORRESPONDENCE FROM COMPANY AGREEING WITH EXAMINER THAT PROBLEM HAD NOT BEEN CORRECTED	II
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