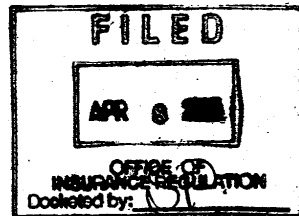




46



OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
DIRECTOR

IN THE MATTER OF:

CASE NO's.: 64885-02-CO
64881-02-CO

**ILLINOIS NATIONAL INSURANCE COMPANY
AND NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, PA**

2001 Property and Casualty Market Conduct
Examinations

CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between **ILLINOIS NATIONAL INSURANCE COMPANY** and **NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA**, hereinafter referred to as **ILLINOIS NATIONAL** and **NATIONAL UNION**, and the **OFFICE OF INSURANCE REGULATION OF THE FINANCIAL SERVICES COMMISSION**, within the **DEPARTMENT OF FINANCIAL SERVICES**, hereinafter referred to as the **OFFICE**. Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the **OFFICE**, hereby finds as follows:

1. The **OFFICE** has jurisdiction over the subject matter of, and parties to, this proceeding.

2. **ILLINOIS NATIONAL** and **NATIONAL UNION** are foreign property and casualty insurers authorized to transact insurance business in Florida and are subject to the jurisdiction and regulation of the **OFFICE** pursuant to the Florida Insurance Code.

3. The **OFFICE** conducted a property and casualty market conduct examination of **ILLINOIS NATIONAL** covering the period of January 1999 through August 2001, and **NATIONAL UNION** covering the period of January 1999 through March 2001, pursuant to Section 624.3161, Florida Statutes. As a result of such examinations, the **OFFICE** determined that **ILLINOIS NATIONAL** and **NATIONAL UNION** committed the following violations of the Florida Insurance Code:

a. **ILLINOIS NATIONAL:**

Private Passenger Automobile

1. Section 627.0651, F.S.-Use of Unfiled Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA).
2. Section 627.0651, F.S.- Use of Unfiled Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA).
3. Section 627.0653; F.S.-Failure to Provide Safety Device Discounts.
4. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report.

5. Section 627.739, F.S.-Failure to Comply with PIP Coverage Requirements.
6. Section 627.0651, F.S.-Use of Unfiled Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA).
7. Section 627.0651, F.S.-Use of Unfiled Rate, Rating Schedule, Rating Rule or Underwriting Guideline (PPA).
8. Section 627.727, F.S.-Failure to Offer/Obtain/Maintain Signed UM Acceptance/Rejection Form.

Complaints

1. Rule 4-166.025, Failure to Respond to Department Inquiries Timely.

Claims

1. Section 627.4137, F.S.-Failure to Disclose Information.
2. Section 627.736, F.S.-Failure to Comply with PIP Benefit Requirements.

Agents

1. Section 626.112, F.S.-Use of Unlicensed/Unappointed Agent/Adjuster.

b. NATIONAL UNION:

Commercial Automobile

1. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.
2. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
3. Section 627.318, F.S.-Failure to Maintain Records-Applications.

4. Rule 4-137.008, Failure to Report/Properly Report Individual Rated Risk Stats.
5. Section 627.727, F.S.-Failure to Offer/Maintain Signed UM Acceptance/Rejection Form.
6. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
7. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Premium Calculation.
8. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Countrywide Factors.
9. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Territory.
10. Section 627.062, F.S.- Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Med Pay Premium.
11. Section 627.062, F.S.- Failure to Follow Filed Rate, Rating Schedule or Rating Rule-UM Rate.
12. Section 627.412, F.S.-Failure to Attach Mandatory Form/Endorsement-CA0267 and CA0128.
13. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
14. Section 627.412, F.S.-Failure to Attach Mandatory Form/Endorsement-CA2172.
15. Section 627.412, F.S.-Failure to Attach Mandatory Form/Endorsement-CA2210.
16. Section 627.727, F.S.-Use of an Unfiled Uninsured Motorist Form-62574.

17. Section 627.727, F.S.-Use of an Unfiled Uninsured Motorist Form-2298.
18. Section 627.736, F.S.-Failure to Comply with PIP Benefit Requirements.
19. Section 626.9541, F.S.-Failure to Comply with Unfair Trade Practice Requirements-Improper Premium.
20. Section 627.727, F.S.-Failure to Offer/Obtain/Maintain Signed UM Acceptance/Rejection Form-Stacked UM.
21. Section 627.062, F.S.-Use of Unfiled Rate, Rating Schedule or Rating Rule.

Other Liability

1. Rule 4-137.008, Failure to Report/Properly Report I Individual Rated Risk Stats.
2. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.
3. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
4. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule.
5. Section 627.062, F.S.-Use of Unfiled Rate, Rating Schedule or Rating Rule.
6. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Credits.
7. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule-Premium Calculation.
8. Section 627.318, F.S.-Failure to Maintain Records.

9. Rule 4-170.004, Failure to Document/Substantiate Debit/Credit.
10. Section 624.3161, F.S.-Failure to Correct Violations in Prior Exam Report-1999 Exam.
11. Section 627.412, F.S.-Failure to Attach Mandatory Form/Endorsement.
12. Section 627.410, F.S.-Use of Unfiled Form/Endorsement-Form 73262.

Workers' Compensation

1. Section 627.062, F.S.-Use of Unfiled Rate, Rating Schedule or Rating Rule.
2. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.
3. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Experience Med Factors.
4. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Contracting Letter.
5. Section 627.191, F.S.- Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Risk ID.
6. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
7. Section 627.191, F.S.-Failure to Audit Policy and Return Premium Timely.
8. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
9. Section 627.318, F.S.-Failure to Maintain Records.

10. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Drug Free Credit.
11. Section 624.3161, Failure to Correct Violation in Prior Exam Report-1999 Exam.
12. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Safety Credit.
13. Section 627.191, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule or Underwriting Guideline-Premium Discount.
14. Section 624.3161, Failure to Correct Violation in Prior Exam Report-1999 Exam.

Cancellations

1. Section 627.062, F.S.-Failure to Follow Filed Rate, Rating Schedule or Rating Rule.
2. Rule 4-196.001, Failure to Cancel One Day After Premium Finance Date.
3. Rule 4-167.001, Failure to Return Premium Timely.
4. Section 627.318, F.S.-Failure to Maintain Records.

Nonrenewals

1. Section 627.4091, F.S.-Failure to Provide Specific Reason for Denial, Cancellation or Nonrenewal.
2. Rule 4-167.001, Failure to Provide Proof of Mailing.
3. Section 627.1615, Failure to Insure Due to Small Premium Volume.
4. Section 627.4133, F.S.-Failure to Provide Timely Notice of Renewal, Nonrenewal or Cancellation.

Complaints

1. Rule 4-166.025, Failure to Respond to Department Inquiries.
2. Section 626.9541, F.S.-Failure to Maintain Complaint Log.

Claims

1. Section 626.112, F.S.-Use of Unappointed Adjuster.
2. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
3. Section 626.873, F.S.-Use of Unlicensed Non-Resident Adjuster.
4. Rule 4-166.026, Failure to Provide Written Explanation of Claim Denial.
5. Rule 4-166.024, Failure to Communicate Timely.
6. Rule 4-166.026, Failure to Properly Compute Sales Tax.

Agents

1. Section 626.741, F.S.-Use of Unlicensed Nonresident Agent.
2. Section 627.4085, F.S.-Failure to Display Agent Name/License ID# or Insurer Name on Application.
3. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.
4. Section 626.112, F.S.-Use of Unlicensed and Unappointed Agent.
5. Section 624.3161, F.S.-Failure to Correct Violation in Prior Exam Report-1999 Exam.

4. The **DEPARTMENT** and **ILLINOIS NATIONAL** and **NATIONAL UNION** expressly waive a hearing in this matter and the making of Findings of Fact and Conclusions of Law by the **OFFICE** and all further and other proceedings herein to which the parties may be entitled by law. **ILLINOIS NATIONAL** and **NATIONAL UNION** hereby knowingly and voluntarily waive the rights to contest this Order in any forum now available to them, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

5. **ILLINOIS NATIONAL** and **NATIONAL UNION** agree that upon the execution of this Consent Order they shall be subject to the following terms and conditions:

(a) **ILLINOIS NATIONAL** shall pay an administrative penalty of \$4,000 and administrative costs of \$1,000 and **NATIONAL UNION** shall pay an administrative penalty of \$60,250 and administrative costs of \$2,000 on or before the 30th day after this Consent Order is executed.

(b) **ILLINOIS NATIONAL** and **NATIONAL UNION** shall henceforth comply with all of the provisions of the Florida Insurance Code and Florida Administrative Code, and implement policies and procedures that will assure that the violations contained in the Examination Reports will not recur. These policies and procedures shall be made available to the **OFFICE** for review upon request. Within 90 days after execution of this

Consent Order, **ILLINOIS NATIONAL** and **NATIONAL UNION** shall both implement the recommendations contained in the Reports of Examination, and identified below, and submit confirmation, in writing, to the **OFFICE** that all directives contained in the Reports of Examination have been met, including all refunds.

(c) The Companies further agree to pay an administrative penalty of \$100 per day that they are not in compliance starting on the 91st day after execution of the consent order.

(d) Corrective Actions

ILLINOIS NATIONAL

1. Company Operations/Management

a. The Company shall develop a written internal audit plan and file with the **OFFICE** within ninety (90) days of entry of this Consent Order.

NATIONAL UNION

1. Commercial Automobile

a. Due to the high number of policies that were individually risk rated, but not reported on the quarterly reports to the Florida Department of Insurance, the Company shall revise all quarterly reports during the scope of this examination and forward same to the **OFFICE** within 90 days of the entry of this Consent Order.

2. Other Liability

a. Due to the high number of policies that were individually risk rated, but not reported on the quarterly reports to the Florida Department of Insurance, the Company shall revise all quarterly reports during the scope of this examination and forward same to the OFFICE within 90 days of the entry of this Consent Order.

3. Workers' Compensation

a. Overcharge of \$397.00 shall be refunded within 90 days of the entry of this Consent Order for Preliminary Advisory 42, BCL Construction, Policy Number 4530204.

(e) **ILLINOIS NATIONAL** and **NATIONAL UNION** are hereby placed on notice of the requirements of the above referenced sections of law and agree that any future violations of these sections by **ILLINOIS NATIONAL** and **NATIONAL UNION** may be deemed willful, subjecting **ILLINOIS NATIONAL** and **NATIONAL UNION** to appropriate penalties.

6. **ILLINOIS NATIONAL** and **NATIONAL UNION** agree that the failure to adhere to one or more of the above terms and conditions of this order shall constitute a violation of a lawful order of the OFFICE, and shall subject **ILLINOIS NATIONAL** and **NATIONAL UNION** to such administrative action as the OFFICE may deem appropriate.

7. Except as noted above, each party to this action shall bear its own costs and attorney's fees.


8. THEREFORE, the agreement between ILLINOIS NATIONAL INSURANCE COMPANY and NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA and the OFFICE, the terms and conditions of which are set forth above, is approved.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE AND ORDERED this 8TH day of APRIL,

2003.





KEVIN MCCARTY, DIRECTOR
Office of Insurance Regulation

By execution hereof **ILLINOIS NATIONAL INSURANCE COMPANY** consent to entry of this Order, agree without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. I am authorized to execute this document.

ILLINOIS NATIONAL INSURANCE COMPANY

By: _____

Title: PRESIDENT KRISTIAN MOOR

Date: 3/24/03

By execution hereof NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA consent to entry of this Order, agree without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. I am authorized to execute this document.

NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA

By: _____

Title: PRESIDENT JOHN KEOLSH

Date: 3/24/03

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