THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

TARGET MARKET CONDUCT EXAMINATION FINAL REPORT

OF THE

ST. JOHNS INSURANCE COMPANY, INC.

Issued On

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EXECUTIVE SUMMARY

A target market conduct examination of the St. Johns Insurance Company was performed to determine insurer compliance with Market Conduct Annual Statement (MCAS) reporting of the company's transactions and affairs. MCAS reporting provides participating MCAS states with a uniform method of collecting key data elements from insurers. MCAS data is provided and maintained under confidentiality agreements. The examination determined the Company made 10 report line errors in the filing of the 2011 MCAS Homeowners Report and 12 report line errors in the filing of the 2012 MCAS Homeowners Report. The examiners also identified 3 errors in the Company register of complaints. Errors found during the examination process are detailed within this report of examination.

PURPOSE AND SCOPE OF EXAMINATION

The Florida Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of the St. Johns Insurance Company, Inc., (hereinafter St. Johns or Company) pursuant to Section 624.3161, Florida Statutes. The examination was performed by Global Insurance Enterprises, Inc. The examination scope period was January 1, 2011 through December 31, 2012. Field examination work began October 13, 2014 and ended October 17, 2014; off-site analysis concluded April 28, 2015.

Examination procedures included reconciling policy data to the 2011 and 2012 Market Conduct Annual Statement (MCAS) Homeowners Reports, reviewing samples of contracts and claims file attributes, the insurer Anti-Fraud Plan and Special Investigations Unit (SIU) description filings and, consumer complaints.

This Report is based upon information obtained during the examination, research conducted by the Office, and additional information provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners (NAIC).

COMPANY BACKGROUND

St. Johns Insurance Company, Inc., was granted a Certificate of Authority to transact business on December 4, 2003 as a domestic writer of property and casualty insurance. The Company is authorized to write Fire, Allied Lines, Homeowners Multi-Peril, Inland Marine, and Other Liability coverage. St. Johns is a wholly owned subsidiary of St. Johns Financial Holding Company, Inc. (SJFHC) (Delaware). St. James Financial Holding Company, Inc. (New Jersey), as parent, owns 80% of SJFHC. The Seibels Bruce Group, Inc, (South Carolina), a property and casualty claims administration and technology solutions servicing company, owns 20%.

St. Johns is an admitted carrier in Florida and an authorized writer in the state of South Carolina since October 2008. Florida Direct Written Premiums represent 95.5%, 96.6%, 97.4%, and 97.6% of the Company's direct written premiums in 2014 through 2011, respectively. Homeowners and Fire coverages represented 94.53% of

net premiums earned in 2014. The Company distributes its products through a network of independent agents, and agents representing Nationwide Insurance Co. and Allstate Insurance Co.

Total Florida Direct Written Premiums and All Direct Written Premiums

Year	Florida Direct Written Premiums	All Direct Written Premiums	Florida Percent of Total
2014	$ 271,078,825	$ 283,791,596	95.5%
2013	$ 272,491,882	$ 282,091,957	96.6%
2012	$ 268,504,947	$ 275,607,497	97.4%
2011	$ 257,101,867	$ 263,508,621	97.6%

FILE REVIEW

File reviews consisted of sample testing of select reporting lines and of the reconciliation of the company data sets to filed MCAS reports. The examiners reviewed information contained in the policy and claims administration system and complaint logs. The Company identified Seibels Insurance and Technology Services (Seibels), as the arms-distance third party policy services administrator providing binding, underwriting, accounting, and claims services on behalf of the Company. The Company identified Seibels as having responsibilities for maintaining and aggregating information used in MCAS reporting.

MCAS REPORTING

This examination reviewed the insurer's MCAS processes and procedures for collecting, aggregating, and extracting data used in the filing of the 2011 and 2012 MCAS Homeowner Reports. Each MCAS contains interrogatories, and those interrogatories for 2011 and 2012 are provided in the appendices of this report of examination. Instructions for completing reports are made available to insurers each year through the National Association of Insurance Commissioners (NAIC). All reports are attested to the completeness and accuracy of the submission. Such reports are filed in accordance with the requirements of Section 626.424, Florida Statutes.

EXAM PROCEDURES

The Company was asked to provide complete data sets utilized in the 2011 and 2012 MCAS Homeowners Reports and for samples of selected reporting lines. Procedures for evaluating each report and line examined included the reconciliation of information filed against the universe of files provided, analysis to determine accuracy of information reported and of the applicable contracts, and verification that data and files are maintained and reported in accordance with the Florida Insurance Code. The Company agrees with the examination findings except where noted. Findings are reported on exception basis.

2011 MCAS HOMEOWNERS REPORT

MCAS Homeowners reporting for calendar year 2011 consisted of responses to 47 interrogatories. The examiners selected 9 responses for sampling review and 38 responses for reconciliation review to the Company data sets. The examination identified 10 errors in the filing of the 2011 MCAS Homeowners Report.

CLAIMS CLOSED WITH PAYMENT

The examination reviewed the Number of Claims Closed with Payment during the Period- Line 19, the Median Days to Final Payment- Line 22 and, the Number of Claims Closed with Payment within 0-30 Days, Line 23. The examiners identified an error on Line 19 reporting the Number of Claims Closed with Payment during the Period, an error on Line 22 reporting the Median Days to Final Payment and, an error on Line 23 reporting the Number of Claims Closed with Payment within 0-30 Days.

The Company agrees with the findings responding, "The error is the result of an MCAS user entry error when entering data for MCAS from Access Query."

CLAIMS CLOSED WITHOUT PAYMENT

The examiners selected for testing a sample of 5 files from Line 32- the Number of Claims Closed without Payment within 91-180 Days. The analysis identified an error on Line 32 reporting the Number of Claims Closed without Payment within 91-180 Days.

The Company agrees with the finding, responding: "[the file] should not have been reported due to reasons of payment, not the reason of the 91-180 days…Claim date was in 2010 and closed in 2011. Claim was open for 122 days. However, the claim was paid in the 2011 reporting period. It should not have been reported as closed without payment in the 2011 reporting period."

LEGAL SUITS

The examiners reviewed the Number of Suits Open at the Beginning of the Period- Line 35 and selected for testing a sample of 5 files from the Number of Suits Opened during the Period- Line 36. Included in this analysis the examiners reviewed the Number of Suits Closed during the Period- Line 37 and the Number of Suits Open at the End of Period- Line 38.

The examiners identified an error on Line 35 reporting the Number of Suits Open at the Beginning of the Period, and the analysis identified an error reporting the Number of Suits Opened during the Period-Line 36. The examiners identified an error on Line 37 reporting the Number of Suits Closed during the Period and an error on Line 38 reporting the Number of Suits Open at the End of the Period.

The Company agrees with the findings attributing the errors to "Incorrect counts in original submission, and lack of adequate procedures developed by third party administrator to properly track suit related claims information."

CANCELLATIONS

The examiners selected for testing a sample of 5 files from Line 45- the Number of Company-Initiated Cancellations that Occur in the First 59 Days after the Effective Date, Excluding Rewrites to a Related Company and concurrently reconciled the sample with a review of Line 46- the Number of Company-Initiated Cancellations that Occur 60-90 Days after the Effective Date, Excluding Rewrites to a Related Company. Separately, the examiners selected for testing a sample of 5 files from Line 46- the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.

The examiner's analysis of Line 45 made concurrently with the review of Line 46 identified an error on Line 45 reporting the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company. The analysis of Line 46 identified an error reporting the Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.

RECOMMENDATION

The Office recommends the Company adopt policies and procedures to improve reporting accuracy.

2012 MCAS HOMEOWNERS REPORT

MCAS Homeowners reporting for calendar year 2012 consisted of responses to 45 interrogatories. The examiners selected 4 responses for sampling review and 39 responses for reconciliation review to the Company data sets. The examination identified 12 errors in the filing of the 2012 MCAS Homeowners Report.

LEGAL SUITS

The examination reviewed the Number of Suits Open at the Beginning of the Period- Line 32, the Number of Suits Opened during the Period- Line 33, the Number of Suits Closed during the Period- Line 34 and, the Number of Suits Open at the End of the Period- Line 35.

The examiners identified an error on Line 32 reporting the Number of Suits Open at the Beginning of the Period, an error on Line 33 reporting Number of Suits Opened during the Period, an error on Line 34 reporting the Number of Suits Closed during the Period and, an error on Line 35 reporting the Number of Suits Open at the End of Period.

POLICIES IN-FORCE

The examination reviewed the Number of Dwellings which have Policies In-Force at the End of the Period- Line 36, the Number of Policies In-Force at the End of the Period- Line 37, and the Number of New Policies Written during the Period- Line 38.

The examiners identified an error on Line 36 reporting the Number of Dwellings which have Policies In-Force at the End of the Period, an error on Line 37 reporting the Number of Policies In-Force at the End of the Period and, an error on Line 38 reporting the Number of New Policies Written during the Period.
The Company agrees with the findings, responding the results are attributable to: "[an] Incorrect restore procedure identified when preparing for the examination. A new system was introduced in December of 2012, which caused the minor variance."

CANCELLATIONS

The examination reviewed the Number of Cancellations for Non-Pay, Non-Sufficient Funds, or Insured's Request- Line 41. The examiners selected for testing a sample of 5 files from Line 42- the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company. The review was made concurrently with the Line 43- Number of Company-Initiated Cancellations that Occur 60-90 Days after the Effective Date, Excluding Rewrites to a Related Company. The examiners included a review of Line 44- the Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.

The examiner's review identified an error on Line 41 reporting the Number of Cancellations for Non-Pay, Non-Sufficient Funds, or Insured's Request. Analysis of the sample identified an error on Line 42 reporting the Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company, an error on Line 43 reporting the Number of Company-Initiated Cancellations that Occur 60-90 Days after the Effective Date and, an error on Line 44 reporting the Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.

REPORTED COMPLAINTS

The examination reviewed the Number of Complaints Received Directly from Consumers- Line 45.The examiners identified an error on Line 45 reporting the Number of Complaints Received Directly from Consumers.

RECOMMENDATION

The Office recommends the Company adopt policies and procedures to improve reporting accuracy.

COMPLAINT REGISTERS

The examiners reconciled the 2011 through 2012 Florida Department of Financial Services Division of Consumer Services (FLDFS) complaint logs against the Company registers of complaints received directly from consumers. The examiner's review identified an error in which the Company registers did not agree with the 2011 FLDFS complaint logs and an error in which the Company registers did not agree with 2012 FLDFS complaint logs. Section 626.9541(1)(j), Florida Statutes, stipulates the insurer maintain complete records of all complaints received.

RECOMMENDATION

The Office recommends the Company adopt policies and procedures to improve complaint register recordkeeping.

ANTI-FRAUD PLAN

The Company files an Anti-Fraud Plan with the Florida Department of Financial Services, Division of Insurance Fraud (Division). Special Investigations Unit (SIU) description filings are made to the Division electronically. The Company Anti-Fraud Plan and SIU description filings for the examination period through the on-site analysis date were reviewed. The examiners determined the Company records appear in compliance with Section 626.9891(3), Florida Statutes, and Rule 69D-2, Florida Administrative Code.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.

Appendix A

Line	Interrogatories 2011 MCAS Homeowners Report
01	Does the Company have Data to Report for Dwelling?
02	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O," Claimant = "C").
03	Does the Company have Data to Report for Personal Property?
04	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O," Claimant = "C").
05	Does the Company have Data to Report for Liability?
06	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O," Claimant = "C").
07	Does the Company have Data to Report for Medical Payments?
08	If Yes, Enter Type of Claim Count Indicator (Occurrence = "O," Claimant = "C").
09	Was the Company Actively Writing Policies in the State at Year End?
10/11	Did the Company have a Significant Event or Business Strategy Change that Would Affect Data for this Reporting Period? If Yes, Explain:
12/13	Has All or Part of this Block of Business Been Sold, Closed, or Moved to Another Company during the Year? If Yes, Explain:
14	How Does the Company Treat Supplemental or Additional Payments on Previously Reported Claims?
15	Additional State Specific Claims Comments (Optional):
16	Additional State Specific Underwriting Comments (Optional):
17	Number of Claims Open at the Beginning of the Period.
18	Number of Claims Opened during the Period.
19	Number of Claims Closed with Payment during the Period.
20	Number of Claims Closed without Payment during the Period.
21	Number of Claims Open at the End of the Period.
22	Median Days to Final Payment.
23	Number of Claims Closed with Payment within 0-30 Days.
24	Number of Claims Closed with Payment within 31-60 Days.
25	Number of Claims Closed with Payment within 61-90 Days.
26	Number of Claims Closed with Payment within 91-180 Days.
27	Number of Claims Closed with Payment within 181-365 Days.
28	Number of Claims Closed with Payment beyond 365 Days.
29	Number of Claims Closed without Payment within 0-30 Days.
30	Number of Claims Closed without Payment within 31-60 Days.
31	Number of Claims Closed without Payment within 61-90 Days.
32	Number of Claims Closed without Payment within 91-180 Days.
33	Number of Claims Closed without Payment within 181-365 Days.

Line	Interrogatories 2011 MCAS Homeowners Report (Cont.)
34	Number of Claims Closed without Payment beyond 365 Days.
35	Number of Suits Open at the Beginning of the Period.
36	Number of Suits Opened during the Period.
37	Number of Suits Closed during the Period.
38	Number of Suits Open at the End of Period.
39	Number of Dwellings which have Policies In-Force at the End Of the Period.
40	Number of Policies In-Force at the End Of the Period.
41	Number of New Policies Written during the Period.
42	Dollar Amount of Direct Written Premium during the Period.
43	Number of Company-Initiated Non-Renewals during the Period.
44	Number of Cancellations for Non-Pay, Non-Sufficient Funds or Insured's Request.
45	Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company.
46	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.
47	Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.

APPENDIX B

Line	Interrogatories 2012 MCAS Homeowners Report
01	Does the Company have Data to Report for Dwelling?
02	Does the Company have Data to Report for Personal Property?
03	Does the Company have Data to Report for Liability?
04	Does the Company have Data to Report for Medical Payments?
05	Does the Company have Data to Report for Loss of Use?
06	Was the Company Actively Writing Policies in the State at Year End?
07/08	Did the Company have a Significant Event or Business Strategy Change that Would Affect Data for This Reporting Period? If Yes, Explain:
09/10	Has All or Part of This Block of Business Been Sold, Closed, or Moved to Another Company during the Year? If Yes, Explain:
11	How Does the Company Treat Supplemental or Additional Payments on Previously Reported Claims?
12	Additional State Specific Claims Comments (Optional):
13	Additional State Specific Underwriting Comments (Optional):
14	Number of Claims Open at the Beginning of the Period.
15	Number of Claims Opened during the Period.
16	Number of Claims Closed with Payment during the Period.
17	Number of Claims Closed without Payment during the Period.
18	Number of Claims Open at the End of the Period.
19	Median Days to Final Payment.
20	Number of Claims Closed with Payment within 0-30 Days.
21	Number of Claims Closed with Payment within 31-60 Days.
22	Number of Claims Closed with Payment within 61-90 Days.
23	Number of Claims Closed with Payment within 91-180 Days.
24	Number of Claims Closed with Payment within 181-365 Days.
25	Number of Claims Closed with Payment beyond 365 Days.
26	Number of Claims Closed without Payment within 0-30 Days.
27	Number of Claims Closed without Payment within 31-60 Days.
28	Number of Claims Closed without Payment within 61-90 Days.
29	Number of Claims Closed without Payment within 91-180 Days.
30	Number of Claims Closed without Payment within 181-365 Days.
31	Number of Claims Closed without Payment beyond 365 Days.
32	Number of Suits Open at the Beginning of the Period.

Line	Interrogatories 2012 MCAS Homeowners Report (Cont.)
33	Number of Suits Opened during the Period.
34	Number of Suits Closed during the Period.
35	Number of Suits Open at the End of Period.
36	Number of Dwellings which have Policies In-Force at the End Of the Period.
37	Number of Policies In-Force at the End of the Period.
38	Number of New Policies Written during the Period.
39	Dollar Amount of Direct Written Premium during the Period.
40	Number of Company-Initiated Non-Renewals during the Period.
41	Number of Cancellations for Non-Pay, Non-Sufficient Funds, or Insured's Request.
42	Number of Company-Initiated Cancellations that Occur in the First 59 Days after Effective Date, Excluding Rewrites to a Related Company.
43	Number of Company-Initiated Cancellations that Occur 60-90 Days after Effective Date, Excluding Rewrites to a Related Company.
44	Number of Company-Initiated Cancellations that Occur Greater than 90 Days after Effective Date, Excluding Rewrites to a Related Company.
45	Number of Complaints Received Directly from Consumers.

FORM 118

FINANCIAL SERVICES COMMISSION
OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS

I hereby certify that I am the officer in charge of the Florida business of the:

ST. JOHNS INSURANCE COMPANY

I have read the report of the ***Target Market Conduct Examination*** *issued on*

April 5, 2016

and filed with the Office of Insurance Regulation. Any recommendations contained in the report will be considered within a reasonable time.

This form is hereby executed in compliance with Section 624.319(5), Florida Statutes.

Reese Brewer
Name

President
Title

Signature

4/7/2016
Date

Sworn to and subscribed before me this 7th

day of April, 2016

DEBRA HART FARISH
MY COMMISSION #FF045970
EXPIRES August 15, 2017
(407) 398-0153 FloridaNotaryService.com

(SEAL)

NOTARY PUBLIC Debra Hart Farish
Signature

My Commission Expires August 15, 2017

This form is to be completed, notarized and returned to: Keith Nault, Senior Management Analyst I, Market Investigations, 200 East Gaines St., Larson Building, Tallahassee, Florida 32399-4210, within 30 days from receipt. If Form 118 is not returned to the Office within 30 days of the date of receipt, this matter will be forwarded to our Legal Division for appropriate legal action.