

2001 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

UNITED AUTOMOBILE INSURANCE COMPANY  
(UNITED AUTOMOBILE INSURANCE GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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## I. INTRODUCTION

United Automobile Insurance Company is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this Market Conduct examination, January 1998 through December 1999. The examination began November 16, 2000 and ended January 20, 2001. The last property and casualty market conduct examination of this insurer by the Florida Department of Insurance was conducted in 1997.

The 1997 examination included the review of private passenger automobile policies. Errors cited included failure to provide an outline of coverage, use of unfiled forms, failure to offer Uninsured Motorists coverage upon renewal and failure to offer PIP options upon renewal.

The purpose of the current examination was to verify compliance with Florida Statutes and Rules.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1998 through December 1999, 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/Rules.

As a result of the findings of this examination, \$59.00 was returned to Florida consumers due to overcharges of premium, underpayments of claims and/or inappropriately charged fees.

II. PRE-EXAM REVIEW OF COMPANY'S WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

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

2. Exam Findings

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

No errors were found.

### III. COMPANY OPERATIONS/MANAGEMENT

#### A. PROFILE

United Automobile Insurance Company was incorporated in the State of Florida in March of 1989. The Company was organized and funded by Safeway Insurance Company.

The Company is licensed in Florida, Illinois, Louisiana, Oklahoma, South Carolina, Mississippi and Georgia as a property and casualty insurance company and writes private passenger automobile insurance. National Insurance Management Company (N.I.M.C.) operates as the Company M.G.A. N.I.M.C. does the marketing and policy processing for the Company.

The Company's in-house claims department handles all of the private passenger auto claims. It is comprised of approximately 90 adjusters, support staff and management.

Ninety percent (90%) of Company employees are located at the home office in North Miami Beach, Florida with satellite offices in New Orleans, Louisiana, Fort Smith, Arkansas, Chicago, Illinois and Jackson, Mississippi. These offices have marketing and claims staff only.

#### B. MANAGEMENT

The Company uses four AS400 Systems computers to host the core business applications. The AS400-270 is used to run the insurance software. The AS400-500 is the test and development system. The AS400-270 is used for e-mail and internet applications. The foundation of the operation is the Fiserv Specialty Insurance Service (SIS) computer software for property and casualty insurance.

The Company has an anti-fraud plan, which is lead by an SIU department of eight (8) investigators. The Company is a member of the National Insurance Crime Bureau.

The internal auditing procedures are comprised of routine audits of all premium and claim related monetary transactions.

C. OPERATIONS

The Company writes non-standard automobile insurance providing minimum statutory limits as well as full coverage. Marketing efforts focus on South Florida with the greatest efforts in Dade and Broward counties.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

United Automobile Insurance Company independently files rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

United Automobile Insurance Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

The National Association of Independent Insurers acts as the Company's official statistical agent.

2. 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>
1998	\$40,233,199	53,324
1999	\$29,860,544	39,814

The fluctuation of premiums and policy counts, as explained by the Company was due to intense competition in the South Florida area.

3. Exam Findings

One hundred (100) policy files were examined.

Two (2) errors were found.

Errors affecting premium resulted in two (2) overcharges totaling \$59.00.

The errors are broken down as follows:

1. Two (2) errors were due to failure to follow the filed underwriting guidelines. This constitutes a violation of Section 627.0651, Florida Statutes. In both cases the Company insured two cars and, the first car was rated correctly and the second car by default was rated incorrectly. These errors resulted in overcharges totaling \$59.00, which have been refunded by the Company.

V. AGENTS/MGA REVIEW

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

No errors were found.



VI. CANCELLATIONS/NONRENEWALS REVIEW

Fifty (50) cancelled/nonrenewed policies were examined.

Two (2) errors were found.

Two (2) errors resulted in overreturns totaling \$41.00.

The errors are broken down as follows:

1. Two (2) errors were due to failure to properly calculate the return premiums. This constitutes a violation of Section 627.0651, Florida Statutes. In both cases, cancellation was at the insured's request and should have been calculated at 90% of pro rata.

## VII. CLAIMS REVIEW

Fifty (50) claims were examined.

Five (5) errors were found.

None of the errors affected payments.

The Company's internal claims handling procedures and reserving practices are described in Exhibit I.

The errors are broken down as follows:

1. Two (2) errors were due to failure to properly forward the title to the Department of Highway Safety and Motor Vehicles on automobiles that had been declared a total loss. This constitutes a violation of Section 319.30, Florida Statutes.
2. Two (2) errors were due to failure to comply with third party total loss requirements. This constitutes a violation of Section 627.743, Florida Statutes.
3. One (1) error was due to failure to provide a written explanation for a claims denial. This Constitutes a violation of Rule 4-166.026, Florida Administrative Code.

## VIII. COMPLAINTS REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has not been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company. Complaint handling procedures are described in Exhibit II.

The error is described as follows:

1. One (1) error was due to failure to maintain a record of consumer complaints received directly from consumers. This constitutes a violation of Section 626.9541, Florida Statutes.

X. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS PROCEDURES	I
COMPLAINT PROCEDURES	II