

2002 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

**U. S. SECURITY INSURANCE COMPANY
(KINGSWAY FINANCIAL SERVICES, INC.)**

BY

THE FLORIDA DEPARTMENT OF INSURANCE

DATE FILED: 04/03/03



TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	3
CERTIFICATE OF AUTHORITY – AUTHORIZED LINES	4
COMPANY OPERATIONS/MANAGEMENT.....	5
REVIEW OF POLICIES	8
PRIVATE PASSENGER AUTOMOBILE	8
COMPLAINTS/INVESTIGATION REVIEW	10
CLAIMS REVIEW.....	17
PENDING ISSUES.....	19
EXHIBITS	20

EXECUTIVE SUMMARY

The purpose of the current examination was to verify compliance with Florida Statutes and Rules due to the number of consumer complaints filed with the Florida Department of Insurance, Division of Consumer Services. Records reviewed during this examination included private passenger automobile, consumer complaints and claims. The primary reason for consumer complaints was the delay in claim payments, denial of claims, policies canceled in error, and delay in payment of unearned premiums.

One hundred (100) private passenger automobile policy files were examined. Eight (8) errors were found. Errors affecting premium resulted in six (6) overcharges totaling \$297.00. Seven (7) errors were due to failure to provide safety device discounts. In six (6) of these instances, the failure to provide the discount resulted in overcharges of \$297.00. One (1) error was due to failure of the Company to file all parts of its Underwriting Guidelines and General Information manual.

Ninety-nine (99) complaint files were examined. Twenty-three (23) errors were noted. The errors were due to the following issues: The Company failed to maintain a complete complaint log in that complaints received directly from consumers were not recorded. One (1) error was due to initially denying a claim because the agent did not phone bind the coverage. Three (3) errors were due to failure to act promptly in claims communications. One (1) error was due to denying a claim without conducting a reasonable investigation. One (1) error was due to misrepresenting the benefits of the policy. Nine (9) errors were due to failure to timely return unearned premiums. One (1) error was due to canceling a policy without advising the insured of the reason for cancellation. Five (5) errors were due to failure to timely respond to Department of Insurance inquiries.

One hundred (100) private passenger automobile claim files were examined. Out of these one hundred (100) claim files, fifteen (15) errors were found. One (1) error was due to the failure to adopt and implement standards for the proper investigation of claims. One (1) error was due to misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue. One (1) error was due to failure to acknowledge and act promptly upon communications with respect to claims. Three (3) errors were due to failure to disclose policy information. Two (2) errors were due to failure to advise the insured of the right to receive personal injury protection benefits. Seven (7) errors were due to failure to communicate timely.

The Company has experienced substantial growth as a direct result of the cessation of new business in South Florida by many non-standard personal automobile insurance companies during 1999 and 2000 or due to substantial rate increases taken by other companies.

As a result of the Company's substantial growth, its existing phone system has become seriously inadequate for handling the large volume of incoming and outgoing phone calls. In early 2001, the Company terminated its relationship with its telephone servicing vendor and hired another vendor. In the latter part of 2001, the Company's new

telephone servicing vendor advised that the phone system was inadequate and required updating. It has become almost impossible to reach the Company on its incoming lines, and this is a primary reason for the Company's current delay in the settlement of claims. To correct this situation, the Company has signed a contract with Mitel Networks to provide it with the technological means for solving this problem. The Company advised that the new system should be installed and fully operational February 25, 2002.

INTRODUCTION

U. S. SECURITY INSURANCE COMPANY (Company) is a domestic 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 2000 through December 2001. The examination began December 2, 2001 and ended February 23, 2002. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded in September 2000.

The prior examination report included the review of private passenger automobile policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints. Violations cited included use of unappointed agents, failure to cancel in accordance with ab initio requirements, failure to charge for insurance provided, failure to communicate timely and failure to provide written explanations of claim denials.

The purpose of the current examination was to verify compliance with Florida Statutes and Rules, particularly in light of the number of consumer complaints filed with the Florida Department of Insurance, Division of Consumer Services.

During this examination, records reviewed included private passenger automobile policies, consumer complaints, and claims 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 requested 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, \$678.90 was refunded to nine (9) Florida consumers due to overcharges of premium and underpayments of claims.

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

U. S. Security Insurance Company was originally incorporated in the State of Florida in December of 1985 and is corporately-owned by Hamilton Risk Management Company. In January of 1999, Hamilton Risk Management Company was purchased by Kingsway Financial Services, Inc.

The Company's home office is located at 3915 Biscayne Boulevard, Miami, Florida. The Company maintains a branch office located at 222 South Westmont Drive, Altamonte Springs, Florida.

The Company is currently affiliated with APPCO Premium Finance Company, Auto Body Tech, Insurance Management Services, Inc., and Corporate Claims Services, all of which are subsidiaries of Hamilton Risk Management Company.

The following is a list of the Company's corporate officers:

Roberto Espin, Jr.	Chief Executive Officer/President/Chairman of the Board
Kevin T. Walton	Executive Vice President/General Manager
Rachel Aldulaimi	Secretary/Treasurer
Alberto Naon	Vice President of Insurance Operations

Since the prior examination of the Company, Kevin T. Walton replaced Luis Alvarez as Vice President/General Manager, Rachel Aldulaimi replaced Juan A. Lopez as Secretary/Treasurer and Alberto Naon was appointed Vice President of Insurance Operations.

COMPANY PROCESSES/STATISTICAL AFFILIATIONS

Phone System

Due to a substantial decline of companies writing non-standard private passenger automobile business in South Florida, the Company has experienced rapid growth. As a result, the Company's existing phone system has become seriously inadequate for handling the large volume of incoming and outgoing phone calls. In early 2001, the Company terminated its relationship with its telephone servicing vendor and hired another vendor. In the latter part of 2001, the Company's new telephone servicing vendor advised that the phone system was inadequate and required updating. It has become almost impossible to reach the Company on its incoming lines, and this is a primary reason for the Company's current delay in the settlement of claims. To correct this situation, the Company has signed a contract with Mitel Networks to provide it with the technological means for solving this problem. The new system should be installed and fully operational by the end of February 25, 2002.

Computer System

The Company utilized an IBM AS400 program during the scope of this examination for the management of policy and claim information. Beginning in January 2002, the Company began using a Windows based operating system designed by Kingsway America. It will also allow the Company's agents to generate declaration pages and other supporting policy documentation.

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.

Disaster Recovery Plan

The Company has developed a Disaster Recovery Plan for use with Florida business. The Company has contracted with Compaq, Inc., to provide new computers in the event the Company computers are destroyed or unusable due to any disaster. The Company backs up its records on a daily basis, and the backup copy is kept off-site.

Internal Audit Procedures

The Company has developed Internal Audit Procedures for use in reviewing Florida business. The Company uses an external auditor to randomly check policies and claims for accuracy, payments and reserves. The Company has various balancing procedures that should identify errors in the financial statement that may be caused by system error.

Privacy Plan

The Company has developed a Plan to meet the requirements of Emergency Rule 4ER-01. The Company provides a letter to each new insured advising that it will not disclose any non-public information.

Statistical Affiliations

The National Association of Independent Insurers acts as the Company's official statistical agent for its private passenger automobile program, and Insurance Services Office acts as the Company's official statistical agent for its commercial programs.

Credit Reports

The Company does not use credit reports as an underwriting tool.

OPERATIONS/MARKETING

Marketing

The Company writes non-standard private passenger automobile insurance coverages in the State of Florida, as well as commercial automobile, garage liability, general liability and flood insurance. The Company has written private passenger automobile insurance since its inception and became part of FEMA's Write your Own Program (flood insurance) in 1991. The Company began writing commercial automobile, garage liability and general liability insurance in 2000 and plans to expand these areas in the future.

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

The Company uses a captive managing general agency, Insurance Management Services, Inc., for developing new business in the State of Florida. Insurance Management Services, Inc. is owned by Hamilton Risk Management Services, Inc. Insurance Management Services, Inc., appoints licensed independent agents throughout the State of Florida to market the Company's insurance products to the general public.

The Company's website can be accessed at www.hamiltonrisk.com.

The Company uses a captive adjusting company, Corporate Claims Services, Inc., for the processing of its claims. Corporate Claims Services, Inc., is corporately-owned by Hamilton Risk Management Company and uses licensed and appointed staff adjusters and appraisers.

Lines of Business

During the scope of this examination, the Company wrote the following lines of business: non-standard private passenger automobile insurance, flood insurance, commercial automobile insurance, garage liability insurance, and general liability insurance.

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 does not use tier rating for placement of risks. Eligibility is determined by vehicle registration, state of licensure, types of vehicles, use of vehicles and driving records.

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>
2000	\$31,712,151	42,658
2001	\$67,225,048	91,690

The Direct Premiums Written and policy count for 2001 both increased over one hundred percent (100%) from 2000 to 2001 as a direct result of the cessation of new business in South Florida by a number of non-standard personal automobile insurance carriers during 1999 and 2000 or due to substantial rate increases taken by other companies.

Examination Findings

One hundred (100) policy files were examined.

Eight (8) errors were found.

Errors affecting premium resulted in six (6) overcharges totaling \$297.00.

The errors are broken down as follows:

1. Seven (7) errors were due to failure to provide safety device discounts. This constitutes a violation of Section 627.0653, Florida Statutes. Two (2) errors were due to failure to apply safety device discounts to vehicles equipped with one or more factory-installed airbags. Five (5) errors were due to failure to apply safety device discounts to vehicles equipped with factory-installed anti-lock brake systems. These errors resulted in overcharges totaling \$297.00, which have been refunded by the Company.
2. One (1) error was due to use of unfiled underwriting guidelines. This constitutes a violation of Section 627.0651, Florida Statutes. This error was due to failure of the Company to file all parts of its Underwriting Guidelines and General Information manual.

COMPLAINTS/INVESTIGATION 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 not been established by the Company. Exhibit I.

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

DOI RECEIVED COMPLAINTS/INVESTIGATIONS REFERRAL

Consumer Services Ref. Number	Alleged Violation	Violation Found	Comments
S-0102-21973	Claim delay	None	Company failed to handle claim on a timely basis and also failed to request proof of proper documentation for the processing of the claim.

One (1) DOI referral complaint was examined.

No errors were found.

DOI COMPLAINTS RECEIVED BY THE COMPANY

Consumer's Last Name	Alleged Violation	Violation Found	Comments
Murie-Green	Denial of Claim	None	The insured did not list son on application as member and/or driver in household. Son was driving when accident occurred. Company denied claim based on material misrepresentation.
Vega	Total Loss – Insured requested payment and auto, \$5500.00 acv.	None	Automobile was declared total loss. Insured was paid based on total loss but also wanted auto returned. Insured cannot have total loss auto over \$1500.00 acv.
Kaufmann	Underpayment of claim	None	Initially car was deemed repairable. Then supplemental dam found resulting in total loss. D.O.L was 11-16-99. 11-30-99 chk to ins for repair. Then pmt to l/h for payoff 12-18-00, never recd. 2 nd chk to l/h on 1-21-00. Then bal pd to consumer 2-7-00. no written agreement.

Almeida	Delay in claim payment	None	Original claim payment sent to address of insured on record with Company. Insured had moved; Company sent second check to new address which insured says was not received; third check sent by Company was received.
Carpenter	Delay in claim payment	None	Company received police report on 5/1/00 but could not reach insured. Company advised claimant it could not determine liability until contact with insured. Police report indicated liability on part of insured. Company finally paid claim on 7/17/00, 77 days after receipt of police report with no contact with insured.
Ford	Consumer upset that rental car bill not billed direct to Company	None	Company does not have billing procedures set up with rental car companies; however, will provide immediate reimbursement to insured when paid receipt received.
Rollins	Delay in claim payment	None	Company paid claim within 10 days of accident.
Gonzalez	Denial of claim	None	Insured made late monthly payment to agent. Agent failed to place "hold" on account with prem. finance co. to prevent cancellation. Company did not receive payment until after cancellation effective date.
Bryan	Denial of claim	626.9541(1)(i)3.b.	Company denied claim based on fact that agent did not phone bind coverage. Binder phone requirement is not filed and Section 626.342, F.S. does not recognize binder phones. Company has now paid claim.
Penia	Denial of claim	None	Agent placed coverage with The Roberts Plan not U.S. Security
McLeroy	Delay in claim payment	Rule 4-166.025	Claim handled timely. Violation was a result of untimely response by Company to Department inquiry.
Nayeh	Denial of claim	None	Company had reinstated policy before consumer complaint received and claim was paid.
Ramjuawan	Delay in claim payment	None	No delay in payment found.
Lawrence	Denial of PIP benefits	None	Insured failed to show for two IME's; also did not claim injury until 9 months after accident.
Damas	Claim status	626.9541(1)(i)2	Company paid consumer; however, in reviewing file, discovered material representation on part of Company regarding insured's damages.
Powers	Untimely response	None	Company responded to consumer request for policy information in a timely manner.
Polite	Delay in claim payment	None	Claim paid in timely manner.
Zeckman	Denial of claim	None	Claim denied due to non-cooperation by insured. Insured failed to supply company requested info. needed for payment.
Dumas	Denial of claim	None	Consumer wanted noise in air conditioner fixed. Air conditioner not damaged in accident.
Hernandez	Delay in claim payment	None	Claim not paid due to material misrepresentation on part of consumer.
Emzqiuta	Denial of PIP benefits	None	Company paid benefits .
Vidale	Policy canceled in error	None	Company was not paid additional premium billed to agent.
Jordan	Delay in claim payment	None	Insured 's vehicle was in accident. Insured alleged vehicle stolen, but no evidence to indicate theft. Insured did not show for recorded statement.

Vernel	Denial of claim	None	Vehicle involved in accident with consumer was a rental vehicle (not a temporary substitute for vehicle in shop) and, therefore, not covered under Company's policy.
Infante	Underpayment of claim	Rule 4-166.025	Consumer owed lienholder more than value of car. Company made payment based on current ACV. However, violation was a result of untimely response by Company to Department inquiry.
Pratt	Delay in claim payment	Rule 4-166.025	Claim handled timely. Violation was a result of untimely response by Company to Department inquiry.
Moulton	Delay in claim payment	None	Consumer was victim of insurance fraud by unlicensed person who did not represent Company.
Partridge	Delay in claim payment	None	Company not able to contact consumer with information provided.
Spaulding	Delay in claim payment	None	Consumer failed to send estimate and pictures as requested.
Salomon	Delay in claim payment	None	Insured driver was unlisted; therefore, there was coverage issue that had to be resolved.
Prosper	Delay in claim payment	Rule 4-166.025	Claim handled timely. Violation was a result of untimely response by Company to Department Inquiry.
Gil	Delay in claim payment	Rule 4-166.025	Claim handled timely. Violation was a result of untimely response by Company to Department Inquiry.
Diaz	Delay in claim payment	None	Consumer would not provide documentation necessary to handle claim.
Hawkins	Delay in claim payment	None	Company had all necessary information to make payment to consumer on 8/2/01. Check not issued until 8/27/01.
Koenig	Delay in claim payment	626.9541(1)(i)3.c.	Company did not respond to consumer's request for repairs on timely basis.
Arendale	Denial of claim	None	Policy canceled prior to date of accident.
Willis	Delay in vehicle repair	None	Repair shop took too long to repair; vehicle had supplemental damages.
Rodriguez	Delay in claim payment	None	Company experienced delay in receiving police report causing delay in claim payment.
Woodward	Denial of claim	None	Doctor bills below \$2,000 PIP deductible.
Mena	Delay in claim payment	None	Consumer did not receive first check sent. Company issued stop payment and reissued.
Bradley	Delay in claim payment	None	Delay in receiving necessary information from consumer.
Washington	Denial of claim	None	Consumer did not ask Company to add vehicle involved in accident to policy within 30 days of acquisition.
Stubbs	Delay in claim payment	626.9541(1)(i)3.c.	Company received estimate for damages on 9/6/01; payment not made until 11/6/01
Santiago	Delay in claim payment	None	Claim paid in timely manner. There was supplemental damage and delay by body repair shop.
Zapata	Delay in claim payment	None	Coverage question due to unlisted driver. Unlisted driver not cooperating due to being illegal alien.
Golden	Delay in claim payment	None	Insured and lienholder failed to cooperate with Company which caused delay in settlement.
Collins	Delay in claim payment	None	The Company has not concluded it's investigation of the claim.
Torres	Delay in claim payment	None	Company had to determine if vehicle in accident was covered – not shown on policy.

Pierola	Delay in claim payment	None	Coverage question based on ownership of vehicle involved in accident. Insured would not cooperate.
Jacob/Travers	Delay in return of unearned premium	None	Company canceled policy and refunded premium to agency within 30 days of cancellation request. Consumer received return premium before response to dept.
Williams	Delay in receipt of policy	None	Company never received application.
Bermudez	Policy canceled in error	None	Policy canceled due to incomplete application.
Banks	Policy canceled in error	None	Consumer paid agent; agent failed to pay company; company reinstated due to agent error.
Pelisari	Upon expiration of policy, why tag and license suspended	None	Company policy expired; consumer failed to respond to DHSMV.
Oky	Policy canceled in error	None	Consumer paid agent and agent paid pfc. Policy was reinstated by Company when money received by pfc.
Moore	Additional Premium	None	Co issued endorsement for ren disc. Ret prem to customer.
Hann	Policy canceled in error	None	Policy was properly canceled due to non-payment to premium finance company.
Williams	Policy canceled in error	None	Policy was properly canceled due to non-payment to premium finance company.
Cajeli	Policy issued incorrectly	None	Consumer alleged he wanted \$25,000 BI coverage and that he was licensed 3 years; however, application received by Company from agent shows BI of \$10/20,000 and MVR indicates licensed less than 3 years resulting in surcharge.
Bailey	Policy canceled in error	None	Policy canceled by premium finance company for non-payment.
Reyes	Company paid claim consumer did not have	None	Consumer applied for insurance with another company and was advised by that company that U.S. Security had paid a \$10,000 claim on her behalf. U.S. Security did not pay this claim and has no record of any claim regarding consumer.
Denis	Money paid not applied to account	None	Consumer gave agent \$580.00 which consumer says was not applied to her account. This money was applied – policy in full force for one year.
Reid	Policy canceled in error	None	Consumer states policy canceled due to agent error. Company shows policy in full force.
Montero	Policy canceled in error	None	Consumer stated not advised policy canceled. Company canceled policy for non-payment of additional premium. Proper cancellation notice given.
Rodriguez	Policy canceled in error	None	Consumer alleged paid for policy in full; however, policy canceled by premium finance company for non-payment of monthly premium payment.
Auto Source USA	Policy not received	None	Company has no record of app. or binder. Consumer had no proof of Ins. with Co.
Pazmino	Late return premium	None	Company did return unearned premium in a timely manner.
Kaplan	Return of premium	None	Cancellation request received and money refunded by Company on a timely basis.

Bailey	Policy canceled in error	None	Company canceled policy for incomplete application. .
Markese	Policy canceled in error	None	Company says no cancellation issued. Policy in full force.
Guethle	Agent keeps changing consumer's insurance company	None	Company's policy was canceled for non-payment of additional premium. Company has no control over agency changing consumer's coverage to another company.
Brinkley	Policy canceled in error	None	Agent misrated policy resulting in additional premium. Consumer did not pay additional premium and Company properly canceled policy.
Barnett	Policy canceled in error	None	Agency error in handling payments. Prem rec'd late by co. Policy reinst.
Summers	Policy canceled in error	None	Company requested additional information from agent but never received additional information. Can notice indicated incomplete app.
Valdez	Policy never received	None	Company never received application or binder. Nothing linking ins/co.
Alas	Did not receive return premium	None	Consumer canceled policy; however, due to shortage due Company for additional premium, there was no unearned premium due consumer.
Adames	Policy canceled in error	None	Consumer did not pay additional premium to Company. Company properly canceled policy.
Miller	Did not receive return premium	None	Company returned unearned premium to premium finance company.
Bonilla	Policy canceled in error	None	Consumer did not pay additional premium to Company. Company properly canceled policy.
Acosta	Policy never received-consumer has no proof of cov. W/Co.	None	Consumer paid agency; agency closed. (New Millenium agcy.) SIU investigating agency files for possible cov. Has informed Dept. of agency situation and efforts to verify insureds.
Adams	Policy never received-consumer had can chks.	None	Consumer paid New Millenium agency; agency closed. Company issued policy and honored coverage without money. SIU advised Dept of efforts to verify ins'.
Bacon	Refund of money	None	New car financing fell through, and Consumer wants flat cancellation. Company amended cancellation date to the same date the car was returned to the dealer.
Bacon	Refund of money	None	New car financing fell through again, and Consumer wants flat cancellation. Company requested letter from dealer and then amended cancellation date to the same date the car was returned to the dealer.
Hawkins	Refund of money	None	Policy canceled and consumer wants refund. No refund due consumer due to additional premium and finance charges.
Vidal	Policy canceled in error	None	Consumer did not pay Company additional premium charge and Company canceled policy.
Rosquette	Refund of money	None	Consumer canceled policy due to duplicate coverage. Company properly returned unearned premium to pfc.
Rogers	Policy canceled in error	None	Consumer did not pay Company additional premium charge, and Company properly canceled policy.

Morell	Receiving premium notices even though payments being made	None	No problem found.
Antonio	Policy never received- no proof of cov. with Company.	None	Consumer paid New Millenium agency; agency closed. Company is trying to determine what applications left in the agency belong to them and will honor coverage without money. SIU advised dept.
Huie	Policy canceled; coverage for accident denied	None	Consumer's son had suspended license. Consumer took a D-6 clearance form to agent and agent sent form to Company but agent failed to advise consumer that the D-6 form did not reinstate the license. Proof of reinstated license was never provided to Company and Company canceled policy. No coverage for accident.
Boyd	Policy canceled – no notice	None	Policy canceled by Company for incomplete application. Company requested agent obtain additional information. Company never received info from agent. Company sent proper notice of cancellation to insured first 60 days.
Solomon	Policy canceled in error	None	Agent accepted short premium finance monthly payment and finance company advised Company to cancel.
Jaramilla	Policy canceled – consumer not aware of cancellation – claim denied	None	Company issued cancellation notice for non-payment of additional premium and finance company also sent notice of cancellation for non-payment of monthly premium payments. Company then received the additional premium payment from consumer and issued a reinstatement but premium finance company cancellation was valid. However, due to confusion on part of consumer, Company honored claim.
Seymour	Policy canceled in error	None	Pol can by pfc. Reinst after money rec'd from agent.
Pearsall	Policy canceled in error	None	Consumer sent information requested by Company to the premium finance company. Premium finance company did not forward to company. Company canceled for incomplete application.
Spaillat	Policy never received- had can check to agency with Co name on it.	None	Consumer says paid agency, New Millenium; agency closed. Company offered to issue pol-consumer did not give Co. info necessary to issue pol.-vin, dl, etc.
Plancher	Policy canceled – wants refund	None	Company canceled policy due to Company error.
Flesner	Policy canceled in error	None	Additional information requested by Company, never received and policy was canceled first 60 days..

Ninety-nine (99) complaints received by the Company from the Department of Insurance were examined.

Twelve (12) errors were found.

Three (3) errors resulted in underpayments totaling \$381.90.

The errors are broken down as follows:

1. Two (2) errors were due to failing to acknowledge and act promptly upon communications with respect to claims. This constitutes a violation of Section 626.9541(1)(i)3.c., Florida Statutes.
2. One (1) error was due to denying a claim without conducting a reasonable investigation based upon available information. This constitutes a violation of Section 626.9541(1)(i)3.d., Florida Statutes. This error was due to failure of the Company to make a determination regarding liability after all available information concerning the claim had been received.
3. One (1) error was due to material misrepresentation made for the purpose of effecting settlement on less favorable terms than those provided in the policy. This constitutes a violation of Section 626.9541(1)(i)2., Florida Statutes. This error was due to the application of two deductibles to the same occurrence. This error resulted in an underpayment of \$355.24, which has been paid by the Company.
4. One (1) error was due to canceling a policy without a valid reason. This is a violation of Section 627.728, Florida Statutes. This error was due to the issuance of an invalid cancellation by the Company. The Company canceled the policy due to failure of the agent to return commission to the Company.
5. Five (5) errors were due to failure to respond to Department inquiries concerning claims within twenty-one (21) days. This constitutes a violation of Rule 4-166.025, Florida Administrative Code.
6. One (1) error was due to failure to maintain a complete record of all complaints received. This constitutes a violation of Section 626.9541(1)(j), Florida Statutes. This error was due to failure of the Company to maintain a record of company received complaints.

The process for requesting additional information from agents can result in inappropriate cancellations of policies for failure to obtain information or additional premium. This procedure causes the possibility of cancellations when the insured may, in fact, be an eligible insured. The Company has been requested to re-evaluate this procedure with the purpose of clearly conveying the need for additional information or premium to the insured in a timely manner. A revision of the Company's procedure should also result in a reduction in the number of complaints filed against the Company. See Pending Issues Section.

CLAIMS REVIEW

DESCRIPTION OF CLAIMS REVIEWED – NON-PPA/MEDICAL REVIEWS

This examination included the review of claims made under private passenger automobile insurance policies and included the following types of coverage: bodily injury and property damage liability, personal injury protection benefits, uninsured motorist, and physical damage including comprehensive and collision.

Examination Findings

One hundred (100) claims were examined. Three (3) claims were bodily injury liability coverage. Thirty-five (35) claims were property damage liability coverage. Twenty-six (26) claims were personal injury protection coverage. Two (2) claims were uninsured motorist coverage. Twenty-seven (27) claims were collision coverage. Seven (7) claims were comprehensive coverage.

Fourteen (14) errors were found.

The errors are broken down as follows:

1. One (1) error was due to failure to adopt and implement standards for the proper investigation of claims. This constitutes a violation of Section 626.9541(1)(i)3.a., Florida Statutes. This error was due to failure by the Company to handle many aspects of the claim in a timely manner.
2. One (1) error was due to failure to acknowledge and act promptly upon communications with respect to claims. This constitutes a violation of Section 626.9541(1)(i)3.c., Florida Statutes. This error was due to the failure of the Company to respond to receipt of a rental bill from the claimant for over four (4) months.
3. Three (3) errors were due to failure to disclose information. This constitutes a violation of Section 627.4137, Florida Statutes. These errors were due to failure of the Company to disclose policy information within thirty (30) days of receipt of a written request from the claimant's attorney for such information.
4. Two (2) errors were due to failure to advise the insured of the right to receive personal injury protection benefits. This constitutes a violation of Section 627.7401, Florida Statutes. These errors were due to failure of the Company to notify the insured of personal injury protection benefits within twenty-one (21) days of receiving notification of an injury to the insured.
5. Seven (7) errors were due to failure to communicate timely. This constitutes a violation of Rule 4-166.024, Florida Administrative Code. These errors were due to failure of the Company to respond to claims communications within fourteen (14) days.

DESCRIPTION OF CLAIMS REVIEWED – PPA/MEDICAL REVIEWS

This examination included the review of claims made under private passenger automobile insurance policies for personal injury protection benefits.

Examination Findings

Fifty (50) Personal Injury Protection claims were examined.

No errors were found.

PENDING ISSUES

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

CORRECTIVE ACTIONS

The process for requesting additional information from agents can result in inappropriate cancellations of policies for failure to obtain information or additional premium. This procedure causes the possibility of cancellations when the insured may, in fact, be an eligible insured. The Company has been requested to re-evaluate this procedure with the purpose of clearly conveying the need for additional information or premium information or premium to the insured in a timely manner. A revision of the Company's procedure should also result in a reduction in the number of complaints filed against the Company. The Company is requested to provide the Department of Insurance with a proposal to resolve this issue within ninety days of receipt of this examination report.

EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
REQUEST TO U. S. SECURITY INSURANCE COMPANY TO ESTABLISH COMPLAINT HANDING PROCEDURES	I
2000 EXAMINATION, PAGE 8	II
REQUEST TO U. S. SECURITY TO REVISE PROCEDURE FOR REQUEST OF ADDITIONAL INFORMATION OR PREMIUM	III