

2002 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

OCEAN HARBOR CASUALTY INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 11/14/2003



TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

CERTIFICATE OF AUTHORITY – AUTHORIZED LINES 3

COMPANY OPERATIONS/MANAGEMENT..... 4

REVIEW OF POLICIES 7

 PRIVATE PASSENGER AUTOMOBILE 7

NEW POLICY RATE REVIEW 8

 RENEWAL POLICY RATE REVIEW 9

CANCELLATIONS/NONRENEWALS REVIEW 10

COMPLAINTS/INVESTIGATION REVIEW 11

CLAIMS REVIEW 19

EXHIBITS 21

EXECUTIVE SUMMARY

Ocean Harbor Casualty Insurance 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 1, 2001 through August 24, 2002. The examination began April 22, 2002 and ended August 31, 2002. The last property and casualty market conduct examination of this insurer by the Florida Department of Insurance was concluded in June 2000.

The purpose of this examination was to review the issues behind the volume of consumer complaints received by the Department of Insurance. Based on a review of the consumer complaints filed against the Company, the Department focused on claim delays, untimely return of unearned premiums due to cancellation, and rating issues.

A total of five hundred fifty seven (557) files were examined for this Company with fifty-nine (59) errors. The following represents general findings; however, specific details are found in each section of the report.

Files Reviewed -- 557

- One hundred thirty-two (132) complaint files
- One hundred (100) private passenger automobile
- One hundred (100) cancellations and nonrenewals
- One hundred twenty-five (125) claim files
- Fifty (50) renewal risks
- Fifty (50) new private passenger automobile risks with 7 points

Findings

- Complaints – ten (10) errors
 - Misrepresented pertinent facts relating to coverage
 - Failed to act upon communications with respect to claims
 - Denied claims without conducting an investigation
 - Failed to explain the nature of the requested material
 - Failed to comply with additional premium requirements
 - Misrepresented facts
- Private Passenger Automobile – one (1) error
 - Failed to comply with personal injury protection (PIP) requirements by not displaying rates for the various PIP coverage options in their rating system.
 - Private Passenger Automobile New Business Risks with one DUI/DWI (7 points) – twenty-five (25) errors
 - Failed to follow underwriting guidelines
- Private Passenger Automobile Renewal Risks – thirteen (13) errors
 - Failed to provide valid reason for cancellation

- Failed to comply with the unearned premium requirements
- Cancellations and nonrenewals – seven (7) errors
 - Failed to report cancellations in accordance with ab initio requirements
- Claims - three (3) errors
 - Failed to reimburse claimant’s deductible after receiving subrogation reimbursement
 - Deducted \$200 from a total loss settlement without documentation
 - Misrepresented facts of coverage. The Company denied a claim saying the policy was not in force when in fact it was.
- This examination indicated the Company has failed to comply with Consent Order #41975-01-CO, dated January 30, 2002 by failing to: communicate timely, comply with the unfair trades practice requirements and the failure to disclose information. This includes sending a letter to consumers with misleading information concerning claims, not settling claims in a timely manner, and not honoring renewal premium quotes.

Corrective Actions

- Eliminate using letter presently used by Claims Department advising vehicle owners that the Company is not responsible for “any and all” towing and storage fees. The Company has ceased using this letter.
- Refile its underwriting guidelines and rating plan to accept risks with one DUI/DWI (7 points). The Company has amended its filing.
- Provide the Florida Department of Insurance with copies of refund checks and copies of MC-1, and MC-2 letters sent to each named insured. This includes \$200 deducted from a settlement without documentation and deductibles being reimbursed to the claimant as part of a settlement. The Company has made the appropriate refunds.
- Display rates for PIP options in their rating system as required by the Insurance Code. The Company has implemented corrective action.
- Pay \$412 in underreturns to insureds. The Company has made the appropriate refunds.

As a result of the findings of this examination, the Company refunded \$1,475.93 to consumers.

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

Ocean Harbor Casualty Insurance Company (Ocean Harbor) was incorporated in 1986 as an insurance company in Oklahoma, writing exclusively personal automobile insurance. The same year, Ocean Harbor became authorized to write private passenger automobile insurance in the State of Florida. In September of 1994, Ocean Harbor entered into a contract with JAJ Holding Company, Inc., (JAJ) where JAJ became the Managing General Agent for Ocean Harbor in Florida.

The MGA markets in the non-standard automobile industry. The majority of the business remains in Broward, Dade and Palm Beach counties, consisting of 90% of the business written. In December of 1994, Ocean Harbor began a Physical Damage Private Passenger Automobile program based on ISO symbols and model year factors.

In 1995, Ocean Harbor relocated its corporation to Tallahassee, Florida. By January of 1996, to boost the production of the Ocean Harbor Physical Damage Program, the MGA introduced a new Personal Injury Protection and Property Damage program through Ocean Harbor into the South Florida market. The program's success resulted in an expansion of coverage. BI and UM were introduced into the program in December of 1999.

COMPANY PROCESSES/STATISTICAL AFFILIATIONS

Computer System

The MGA maintains its own system for use in rating, underwriting, claims, and management of the business written for Ocean Harbor Casualty Insurance Company. This system operates on a mainframe located on-site with access by desktop computers for the staff. Backup data is maintained at an offsite location. The MGA does not allow its agency force to link into this system. Any computer communication with agencies is done by email. The mainframe of the system is managed by the Company on-site. Employees have access to the system through individual computers located throughout the office.

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. The MGA reviews each loss and conducts an investigation including coverage and liability questions to determine if coverage exists and if there is liability to be covered under the contract. If during the investigation, fraud is suspected, the claim is forwarded to the SIU unit that investigates and then determines if there is a basis for referral to the Division of

Insurance Fraud. If so, a referral is prepared in compliance with Section 626.989(6), Florida Statutes, and forwarded to the appropriate office.

Disaster Recovery Plan

The Company has developed a Disaster Recovery Plan for use with Florida business. In addition to its own daily backup of all programs and data, additional backups are stored locally at Sun Trust Bank. Backup data is also stored at the Saddle Brook, NJ office. The Plan is designed to allow the Company to be able to process business within 24 hours of such a disaster.

Internal Audit Procedures

The Company has developed Internal Audit Procedures for use in reviewing Florida business. Through its home office, the Company conducts audits based on an annual review. This process was completed while the examiners were on-site completing this examination.

Privacy Plan

The Company has developed a Plan to meet the requirements of Rule 4-128.005, Florida Administrative Code, and Rule 4-128.006, Florida Administrative Code. The Privacy notice is printed and mailed with all new business and annually to all renewal business.

Statistical Affiliations

The Company independently files its rules, rates and forms. It also is a member of Insurance Service Office (ISO).

Credit Reports

The Company does not use Credit Reports as an underwriting tool. This was verified during the review of the automobile policies.

OPERATIONS/MARKETING

Marketing

The Company writes non-standard automobile insurance. Presently, the marketing efforts have been centered on reducing the agency force, eliminating those with poor loss experience or no production. About 90% of the business written by the Company is in Broward, Dade and Palm Beach counties.

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

The Company has 225 independent agents covering most of the State of Florida. The Company estimates that 90% of the agents operate under the Exchange of Business

Statute. The Company writes business in Florida through JAJ Holding Company, an MGA. JAJ Holding Company is licensed and appointed as an MGA in the State of Florida for the Company. The MGA also maintains all computer records on-site in Florida.

During the course of this examination, the Company advised the examiners that effective immediately, every agent is being appointed instead of registered. The change is being done as the agency force is being appointed for another Company managed by the MGA. This shift in marketing philosophy will result in having all agents appointed instead of using exchange of business.

The Company uses staff adjusters and appraisers out of the Sunrise, Florida office, of the MGA, to handle claims. The adjusters for this firm are licensed and appointed by the State of Florida and during the review of claim files, those licenses were verified by the examiners.

Lines of Business

During the scope of this examination, the Company wrote non-standard private passenger automobile coverage. Under one program, full coverage was provided including comprehensive, collision, uninsured motorists, underinsured motorists, and bodily injury liability coverage. The other program written provided property damage liability and personal injury protection coverage as required by the Insurance Code, with the option of including comprehensive and collision.

REVIEW OF POLICIES

PRIVATE PASSENGER AUTOMOBILE

Description of Product/Lines of Business

The examination involved a complete review of private passenger automobile coverages including bodily injury liability, property damage liability, personal injury protection, uninsured motorist, underinsured motorist, comprehensive and collision coverages. The Company does not use tier rating or credit reports in its underwriting procedures.

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>
2001	\$44,306,662	87,436
2002*	\$13,704,219	20,502

*The numbers for 2002 include only the first three months of business.

Examination Findings

One hundred (100) policies were reviewed.

One (1) error was found.

The error is described as follows:

1. One (1) error was due to failure to make available all PIP deductible options in the rating system used by agents. This constitutes a violation of Section 627.739, Florida Statutes. The Company has corrected the systems error. The current application used by the Company contains all PIP deductible options. Exhibits I and II.

NEW POLICY RATE REVIEW

Description of Product/Lines of Business

This review was limited to new business policies with seven (7) surcharge points used in the premium calculations.

Examination Findings

Fifty (50) policy files were examined.

Twenty-five (25) errors were found.

The errors are broken down as follows:

1. Twenty-five (25) errors were due to failure to follow the filed underwriting guidelines. This constitutes a violation of Section 627.0651, Florida Statutes. These errors were due to the Company writing new business with a surcharge of seven points which violates the Company underwriting guidelines. The underwriting guidelines state that any applicant with more than six surcharge points is not eligible for coverage. The Company, however, wants to write applicants with one DUI/DWI and no other infractions. The Company has refiled its underwriting guidelines.

RENEWAL POLICY RATE REVIEW

Description of Types of Risks

The examination involved a complete review of private passenger automobile policies where notices had been sent to the insured offering to renew the coverage for a specified premium. Once the offer to renew had been accepted by the insured, the risk was reunderwritten by the Company based upon new information secured after the renewal offer was made and a renewal policy was issued at a premium reflecting this additional information.

Examination Findings

Fifty (50) policies were examined.

Thirteen (13) errors were found.

The errors are broken down as follows:

1. Thirteen (13) errors were due to adjustment of renewal notice quotes. This constitutes a violation of Section 627.728, Florida Statutes. These errors were due to the Company issuing renewal policies at a higher premium than that quoted in the renewal quote. The Company was using post renewal underwriting after the renewal had been accepted by the insured. The Company has ceased this practice.

CANCELLATIONS/NONRENEWALS REVIEW

DESCRIPTION OF CANCELLATION/NONRENEWAL PROCEDURES

The files reviewed in the examination revealed the following procedures were followed: the Company cancels and nonrenews policies giving the insured the number of days notice required by Florida Statutes, plus at least three (3) days mailing time. Notices are sent to the insured, agent and lienholder, when applicable. Return premiums are calculated as of the effective date of cancellation. Return premiums generated from cancellations originated by the Company are calculated on a pro-rata basis. Return premiums generated from cancellations requested by insureds are calculated at ninety percent (90%) of pro rata.

CANCELLATION REVIEW

Eighty (80) cancelled policies were examined.

Seven (7) errors were found.

The errors are broken down as follows:

1. Seven (7) errors were due to failure to report cancellations in accordance with ab initio requirements. This constitutes a violation of Rule 4-167.002, Florida Administrative Code. These errors were due to the failure of the Company to report rescinded policies to the Department of Insurance within ninety (90) days. The Company was unaware of these requirements and has implemented new procedures to comply with the requirements.

NONRENEWAL REVIEW

Twenty (20) nonrenewed policies were examined.

No errors were found.

COMPLAINTS/INVESTIGATION REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company.

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

COMPLAINTS/INVESTIGATIONS REFERRED BY MARKET CONDUCT

Consumer Ref. Number	Alleged Violation	Violation Found	Comments
S-0102-0043253	Company tried to low ball the repair costs.	N/A	Company did inspect and sent owner to shop to have car broken down and inspected for a final figure on repairs. Rental was paid as well.
S-0102-0040299	Lien holder advised the Company refused to handle claim with repossession date as loss date.	N/A	Company investigated and found four different losses, each one less than the deductible on policy. Thus, no coverage.
S-0102-0005632	Agent took money but provided no coverage. Insured provided a paid receipt showing the Company as the insurer.	N/A	The Company failed to honor these coverages after being furnished documents by the DOI showing the agency had indicated these coverages had been purchased.
S-0102-0053720 All 15 files with this case number are the same file.	Refusal to honor acts of agent under 626.451(3), F.S.	N/A	Company issued policy
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Company agreed to provide coverage and continue coverage upon receipt of the balance of the premium.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Company agreed to provide coverage and continue coverage upon receipt of the balance of the premium.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Company agreed to provide coverage and continue coverage upon receipt of the balance of the premium.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Application was signed by consumer and bound by agent. The finance contract was completed and signed, ID cards were printed and a draft was completed issued payable to Ocean Harbor for the net premium. Coverage effective 10/5/00.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Ocean Harbor application was signed, finance contract showing OH filled out showing a down payment of \$98.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	App completed/signed but no receipt Fin contract not signed and pmt coupons not given customer.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	The Co. terminated contract with the agent by cert letter day before the application was effective.

S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Only documentation was signed app. No evidence of pmt.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Policy was issued.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	The only documentation was a signed application. No evidence of payment.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	App effective 5-23-01 signed 3-26-01. No fin contract or receipt.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	App/fin contract both signed but no evidence of receipt. Per 627.7295 2mos premium must be collected before coverage can exist.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	Co agreed to afford coverage.
S-0102-0053720	Refusal to honor acts of agent under 626.451(3)	N/A	App and finance contract but no proof of payment. No coverage.

COMPLAINTS RECEIVED FROM DOI

Consumer Services Ref. No.	Alleged Violation	Violation Found	Comments
S-0001-0033640	Company failed to pay rental for 7 days.	N/A	Actual repairs took 4 days. Co does not owe 7 days.
S-0001-0029016	Company refused to pay supplement.	626.9541(1)(i)(3)(h)	Company requested receipts, bills, cancelled checks, then denied due to no inspection.
S-0001-0038730	Company failed to pay full rental bill.	N/A	Company owed 3 days. Also paid supplement within one day.
S-0001-0041340	Dispute over degree of Comparative negligence	N/A	Company offered % based on comparative and seems correct.
S-0001-0033507	Company refused to pay full rental bill.	626.9541(1)(i)(3)(b)	Car in shop on Tues, owe till Monday including weekend.
S-0001-0041922	Delay in handling claim.	626.9541(1)(i)(3)(d)	Clear liability claim and Co held payment up 6 wks waiting on insured driver statement.
S-0001-0044234	Delay in handling claim.	N/A	Driver not on policy. Once coverage and liability confirmed, claim paid.
S-0001-0047254	Did not pay clmt deduct.	626..9541(1)(i)(3)(c)	Deductible not returned to clmt.
S-0001-0047699	Dispute over ACV of the insured unit	N/A	Company had valuation done, but insured wanted more for car.
S-0001-0047013	Disputed liability	N/A	Insured not at fault.
S-0001-0052518	Insd hit clmt unit	N/A	No liability. Insd had police report showing clmt ran light.
S-0001-0055103	Delay in claim handling	626.9541(1)(i)(3)(c)	Delay. Insured called Co 9/23 and file diaried to 5/12 then paid.
S-0001-0051720	Disputed liability	N/A	Disagreement over % of neg.
S-0001-0064254	Late claim payment	N/A	Company was negotiating with attorney of the insured over the value of the car.
S-0001-0058252	Delay in claim handling	N/A	No coverage for failure to cooperate and claimant notified.
S-0001-0065414	Late claim payment	N/A	Claimant was paid when his statement was returned
S-0001-0063678	Delay in claim handling	N/A	Company paid estimate and supp. when coverage verified for son
S-0001-0062602	Delay in claim handling	N/A	Disagreement over % of neg.
S-0001-0064202	Dispute over damages	N/A	Company was negotiating with attorney of insured.
S-0001-0064717	Insd did not get PIP form and didn't ask for 2K deductible	N/A	Insured signed application with 2K deductible and Co requested the claim information 5 times with no response.
S-0001-0067813	Delay in claim handling	626.9541(1)(i)(3)(d)	Co took from 4/25 to 8/14 to pay and then paid with no new information.

S-0102-0000782	Delay in claim handling	N/A	Co paid loss same day complaint set up but prior to receiving it. Paid when information received.
S-0102-0002282	Dispute over damages	N/A	Co paid 80% to claimant carrier including rental and deductible
S-0102-0003171	Insd hit clmt and never reported the claim.	N/A	Co paid 100% to claimant based on the police report.
S-0001-0065055	Won't confirm coverage for claimant.	N/A	Had to conduct coverage investigation. Suggested that claimant go to his carrier to speed up the process.
S-0102-0008698	Dispute over % of comparative negligence	N/A	Two third parties hit insured car and split negligence.
S-0102-0000414	Delay in claim handling	N/A	Dispute over comparative with Company offering 65%.
S-0102-0015502	Delay in claim handling	N/A	Claimant refused to give statement on details of loss.
S-0101-0014166	Late claim payment	N/A	Release returned 10/1 and claim paid 10/4.
S-0102-0018140	Late claim payment	N/A	Claimant was paid when the statement was secured.
S-0102-0025337	Delay in claim handling	N/A	Company had paid loss and sent copy of check to the DOI with complaint answer.
S-0102-0028702	Dispute over % of comparative negligence	N/A	Company offered % based on comparative and position on loss of use is correct.
S-0102-0024434	Coverage issues, value of car	N/A	Company has value on car and items in car go to HO carrier.
S-0102-0030539	Property damage claim denied for permissive use	N/A	Claim denied due to theft of insured unit and no permissive use.
S-0102-0033648	Dispute over % of comparative negligence	N/A	Company and claimant were negotiating over %. Company paid full claim, less salvage.
S-0102-0033450	Delay in claim handling.	626.9541(1)(i)(3)(b)	Letter to claimant was misleading on salvage storage.
S-0102-0037354	Improper repairs to claimant unit	N/A	Company referred claimant to the shop.
S-0102-0046073	Vendor seeking payment of PIP medical bill	N/A	Co had paid limits prior to getting this bill.
S-0102-0044357	Insured wanted car fixed	N/A	Insured did not carry collision.
S-0102-0045235	Delay in claim handling	N/A	Company paid subrogation claim to claimant carrier and deductible to claimant direct.
S-0102-0038547	Dispute on liability	N/A	Conflicting stories and no witness version on intersection accident.
S-0102-0031819	Delay in claim handling	N/A	Company was securing statements.
S-0102-0032852	Delay in claim handling	N/A	Vehicle was insured by another company and not Ocean Harbor.
S-0102-0037724	Dispute over storage charges	N/A	Owner never gave permission to move unit to storage free lot.
S-0102-0035175	Delay in claim handling	N/A	Coverage question plus disputed liability. No cooperation from the insured.
S-0102-0032817	Delay in claim handling	N/A	Three car accident and had to separate the damages.
S-0102-0035836	Delay in claim handling	626.9541(1)(i)(3)(b)	Letter to claimant misleading on salvage storage.
S-0102-0044680	Delay in claim handling	N/A	Paid claimant 24 days rental due to delay in confirming liability.
S-0102-0045555	Delay in claim handling	N/A	Paid loss within two days after confirming liability.
S-0001-0054726	Consumer's license suspended due to no ins. Want Co to have license reinstated	None	Policy expired and was not renewed.
S-0001-0041060	Ins took out coverage in Nov unaware policy did not expire until March.	None	Co received can request effective 11/28/00 on 1-23-01. Ret premium sent to the premium

	Can original policy. Insured wants refund.		finance company (pfc) in timely manner.
S-0001-0052747	Consumer wants premium refund for can effective 6-29-00	None	Co refunded unearned premium to the (pfc) in timely manner.
S-0102-0009732	Consumer found out from agent that the policy was cancelled. Wants reason and can figures.	None	Policy was non renewed. Agent no longer represented Co. Non renewal sent to ins at last know address and returned.
S-0001-0035536	Consumer wants breakdown of ret prem.	None	Companies return premium calculations correct.
S-0001-0030413	Consumer didn't pay additional premium per Co billing, therefore can should be effective the end of the first 60 day period of policy, 9/26/00.	627.7282	Co can policy 90% P/R as result of a pfc cancellation effective 10/13/00 instead of 9/26/00. Co corrected error and issued underreturn check to consumer as result of service office request.
S-0001-0045316	Consumer can policy on 4-18-01, wants ret prem.	None	Company returned unearned premium to pfc in timely manner.
S-0102-0013021	Consumer seeking premium refund after cancellation.	None	Company returned unearned premium to pfc in timely manner.
S-0001-0067937	Attorney on behalf of consumer wants refund due to can.	None	Company can policy correctly and ret premium timely to pfc.
S-0001-0045821	Ins says he bought full coverage on 90 Camry from agcy.	None	App signed by insured indicates no comp and collision coverage.
S-0102-0032185	Consumer's ins cancelled due to incomplete app. Wants full refund	None	Company cancelled policy correctly and returned unearned premium to pfc in timely manner.
S-0001-0036947	Ins upset about additional premium of \$29. Policy issued \$29 higher than quote.	None	No proof of anti-lock brakes provided, therefore, can correct due to non pay of AP. Agent misquoted, referred to agt/agcy.
S-0001-0038291	Consumer upset that policy would be cancelled if no med stmt provided to Co.	None	Company received med stmt and reinstated policy.
S-0001-0059807	Consumer upset that Security National Ins. Co. has not fixed vehicle.	None	No physical dam coverage afforded by policy.
S-0001-0069390	Consumer has not rec'd policy.	None	Policy in full force and effect. Consumer rec'd policy per service office.
S-0001-0055189	Consumer wants more ret premium from cancellation. Not satisfied with \$23.23	None	Company can policy correctly and returned unearned premium timely to pfc.
S-0102-0015901	Consumer seeking premium refund after cancellation.	None	Company cancelled policy correctly and returned unearned premium timely to pfc. Referred to agt/agcy.
S-0001-0055370	Consumer seeking premium refund after cancellation.	None	Company cancelled policy correctly and returned unearned premium timely to pfc. Referred to agt/agcy.
S-0001-0056491	Consumer upset that a balance is still owed on single interest ins purchased thru car dealer.	None	Policy in full force and effect. This is not the policy referred to in the complaint.
S-0001-0045087	Ins upset that policy cancelled due to no med stmt.	None	Policy reinstated as medical statement received.
S-0102-0020477	The consumer requested policy to be cancelled and wants proof it was can.	None	Policy can correctly and unearned premium returned timely to pfc.

S-0001-0059599	Consumer had acc. Then found out only had pip/pd when she asked agent for full coverage.	None	App and policy indicate pip/pd. No question from ins until acc.
S-0102-0001999	Consumer seeking premium refund after cancellation.	None	Company can policy correctly and returned unearned premium to pfc in timely manner. Referred to agent/agency.
S-0102-0002000	Ins wants return premium after cancellation.	None	Per Minerva, Ft. Lauderdale Service Off this file was closed as everything done correctly. Ins got no return premium due to premium finance co charges.
S-0001-0058096	Consumer has documentation he was charged \$270 for non insurance coverages. Service office wants copy of Company's file.	None	Company issued policy for coverages as requested on application. This was referred to agent/agency.
S-0102-2224359	Ins wants to add vehicle to policy and doesn't want to pay additional premium as two vehicles being deleted.	None	Ins still owes \$270 after transaction. Ins paid additional premium and policy in force.
S-0001-0063550	Ins stated he was offered renewal coverage but Co cancelled. Why?	None	This was a new risk to Co. Policy was cancelled correctly during first 60 days for restricted license.
S-0102-0000280	Ins wanted policy cancelled during first month of renewal term.	627.7295	Company refused to cancel during first two months of renewal term. Cancellation is prohibited during first two months of new term.
S-0102-0002571	Insured replaced coverage with another company, want return premium.	None	Company returned premium in timely manner .
S-0102-0023499	Consumer has not rec'd ret premium from cancellation.	None	Company returned unearned premium in timely manner. Agent owed consumer \$393.51 in unearned commission. Referred to agt/agency by service office.
S-0102-0014007	The pfc requested cancellation in error. Consumer wants policy reinstated.	None	Company refused to reinstate as their filing indicates no reinstatement after the effective date of the pfc cancellation.
S-0102-0028930	Consumer waiting for can refund for over 3 mos.	None	Company refunded money to pfc in timely manner. Referred to agt/agency by service office.
S-0102-0007153	Ins pd \$794 on 1/27/01 for annual policy. Got policy effective 7-31-01 showing \$513 premium. Where is coverage for prior term?	None	Company issued policy effective 7/31/01 as requested. Not involved with any coverage before that date. Service office referred to agt/agency as no response from agent.
S-0102-0020940	Bureau of financial responsibility suspended license due to no ins while consumer was insured with Ocean Harbor Ins. Co. Why?	None	The Company contacted the BFR and verified coverage. License was reinstated.
S-0102-0011337	Consumer wants return premium due to cancellation.	None	Company binder cancelled app due to unacceptable vehicle. Returned unearned premium to pfc in timely manner. Agent bound unacceptable vehicle. Referred to agt/agency by service office.
S-0102-0031315	Consumer wants to know why policy cancelled and where is return premium.	None	Company cancelled policy due to more vehicles than operators. Returned premium in timely

			manner.
S-0102-0013754	Policy cancelled. Consumer wants refund.	None	Company cancelled policy correctly and return unearned premium to pfc in timely manner.

COMPLAINTS COMPANY RECEIVED FROM CONSUMERS

Item Number	Alleged Violation	Violation Found	Comments
67	Consumer upset over return premium and suspended license	None	Company explained return premium calculations and advised consumer to contact State of Florida re: license suspension.
68	Consumer wants return premium	None	Company returned unearned premium to agent and requested agent return the unearned premium and commission to consumer and provide company with copy of check which was received.
69	Consumer upset because agent would not renew his policy	None	Consumer wanted policy renewed after 10-day lapse had expired. Consumer must take out new policy pursuant to filed underwriting guidelines.
70	Consumer upset over canceled policy and upset with agent.	None	Company advised consumer that policy was not canceled and provided consumer with list of other agents to contact.
71	Consumer upset over amount of return premium and upset that premium finance company had referred their account to a collection agency.	None	Company correctly canceled policy and returned correct unearned premium to finance company in a timely manner.
72	Consumer upset about amount of return premium	None	Company canceled correctly and returned correct unearned premium to premium finance company.
73	Consumer upset about amount of return premium	None	Company canceled correctly and returned correct unearned premium to premium finance company.
74	Consumer upset husband not excluded and company charged for his driving record	None	Company excluded husband and reduced premium when it received required paperwork.
75	Consumer upset about inexperienced operator charge and cancellation	None	Company requested documentation showing consumer had been licensed over 3 years. Consumer took over 2 months to furnish, past the cancellation date of the policy. The Company deleted the overcharge and refunded the additional return premium.
76	Consumer upset about being canceled for unverifiable driver license	None	Company advised consumer policy not canceled but that additional premium generated by unverifiable driver license needs to be paid to Company, not to premium finance company as he did.

77	Consumer upset about amount of return premium	None	Company canceled correctly and returned correct unearned premium to premium finance company.
78	Consumer upset about additional premium charged for adding comp/collision coverages.	None	Agent did not calculate correct additional premium and Company billed consumer.
79	Consumer upset about surcharge for inexperience	None	Company deleted surcharge when proof of 3 year driving experience was received.

Examination Findings

One hundred thirty-two complaints were examined.

Ten (10) errors were found.

The errors are broken down as follows:

1. Three (3) errors were due to misrepresenting pertinent facts relating to coverage. This constitutes a violation of Section 626.9541(1)(i)(3)(b), Florida Statutes. Two (2) of these errors involved sending out letters to vehicle owners involved in total loss accidents that the Company was not responsible for “any and all” towing and storage charges. The other error included advising the insured and claimant that no coverage existed on a policy when in fact, the policy was in force and the claims would be covered. The Company reopened the files and settled the claims. The Company has revised the letter clarifying the concern related to towing and storage charges.
2. Two (2) errors due to the failure of the Company to act upon communications with respect to claims. This constitutes a violation of Section 626.9541(1)(i)(3)(c), Florida Statutes. One of the errors involved the failure to reimburse the deductible to the claimant in a liability file after accepting the subrogation carrier’s claim for property damage and paying the carrier. The Company is sending the claimant his check for the deductible of \$500 plus interest. The second error involves the failure to honor a property damage claim for six months on the grounds that the insured would not respond.
3. Two (2) errors were due to the Company denying claims without conducting an investigation. This constitutes a violation of Section 626.9541(1)(i)(3)(d), Florida Statutes. One error involved the failure to honor a property damage claim for over four (4) months, denying the claim without investigating the facts. Company later paid 100% of the damages with no further information. The other error involved a delay in paying a property damage claim. The Company presented a letter from the Department of Insurance affording the Company the opportunity to secure the insured statement prior to payment of a liability claim. However, they are using this as a defense regardless of the time element involved or other physical evidence indicating clear liability and coverage. Exhibit IV.

4. One (1) error was due to the failure to explain the reasons the Company needed the requested information. This is a violation of Section 626.9541(1)(i)(3)(h), Florida Statutes. The Company requested the claimant to forward copies of invoices, cancelled checks, and original bills to document the file, then denied the claim because inspection was not done by the Company. The Company did process the claim and pay the supplemental damages prior to our arrival.
5. One (1) error was due to the failure to comply with additional premium requirements. This is a violation of Section 627.7282, Florida Statutes. The Company refused to honor the insured's request to cancel the policy during the first two months of the second renewal term.
6. One (1) error was due to the failure to comply with additional premium requirements. This is a violation of Section 627.7282, Florida Statutes. The Company billed the insured for additional premium that the insured elected not to pay. The Company cancelled the policy on a premium finance cancellation notice that used a date other than the required date. The Company calculated the return premium based on 90% pro-rata rather than pro-rata as required.

A review of these errors indicates the Company has failed to comply with Consent Order #41975-01-CO dated January 30, 2002. That Consent Order found that the Company had failed to communicate timely, failed to pay sales tax, failed to comply with unfair trade practice requirements, failed to properly compute sales tax, and failed to disclose information. This review indicates the Company has failed to communicate timely, failed to comply with the unfair trade practice requirements, and failed to disclose information. The Company has undergone a change in management and the review does indicate the frequency of errors is far less than the previous examination. However, many of the errors noted above occurred under the new management.

CLAIMS REVIEW

DESCRIPTION OF CLAIMS REVIEWED – NON-PPA/MEDICAL REVIEWS

Private passenger automobile type of claims reviewed includes: bodily injury liability, property damage liability, collision, comprehensive, uninsured motorists, underinsured motorists and personal injury protection (PIP).

Examination Findings

Eighty-five (85) claims were examined.

Three (3) errors were found.

Two (2) errors resulted in underpayments totaling \$700.

The errors are broken down as follows:

1. Two (2) errors were due to failure to pay the correct amount for the loss. This constitutes a violation of Section 626.877, Florida Statutes. These errors were due to failing to reimburse the \$500 deductible to the claimant after receiving the subrogation reimbursement, and the Company deducted \$200 from the collision settlement with the insured for towing and storage charges without reason. These errors resulted in underpayments totaling \$700. These payments have been made by the Company. The Company has been advised to follow the procedures of the Office of the Comptroller, for the return of unclaimed funds. Exhibit V.

2. One (1) error was due to a misrepresentation of facts of coverage. This constitutes a violation of Section 626.9541(1)(i)(3)(b), Florida Statutes. This error was due to the Company reinstating a policy with a retroactive effective date which then included coverage for an accident previously denied by the Claims Department. This includes a collision claim with the insured as well as a property damage claim with the claimant. This error resulted in underpayments yet to be determined. The Company has started to contact these individuals to determine damages and pay the claims with the correct interest as well. Exhibit VI.

DESCRIPTION OF CLAIMS REVIEWED – PPA/MEDICAL REVIEWS

The examination included the review of claims made under private passenger automobile insurance policies to determine if independent medical examinations were properly handled.

Examination Findings

Forty (40) claims were examined. Forty (40) claims were personal injury protection (PIP) files.

No errors were found.

EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
FORCED \$2000 PIP DEDUCTIBLE	I
CORRECTION TO ALLOW ALL PIP OPTIONS	II
REQUEST FOR CHANGE IN UNDERWRITING GUIDELINES	III
DOI LETTER REGARDING INSURED STATEMENTS	IV
COMPANY AGREEMENT TO PAY \$500 DEDUCTIBLE	V
CONFIRMATION OF EFFECTIVE DATE OF POLICY	VI