

THE INTERCOM

VOL. 8, NO. 1
JAN. - APRIL 1998

PUBLICATION FOR AGENTS AND ADJUSTERS FROM
THE STATE OF FLORIDA DEPARTMENT OF INSURANCE

Bill Nelson
Treasurer/Insurance Commissioner/Fire Marshal

Continuing Education Assistance

Many of you may already know of the Department's partnership with Assessment Systems, Inc. (ASI) to provide certain education tracking services. The September-December 1997 issue of *The Intercom* listed some of these services. If you are not yet familiar with ASI, here is a list of services that are available for those licensees who are required to meet continuing education (CE) requirements:

- Toll free customer service at (888) 204-6214.
- Continuing education transcripts via fax. Call ASI's FAX-BACK system at (888) 205-6251, and you can request a transcript through an interactive voice response system. See the article on page 7 for more information about transcripts.
- Related forms via FAX-BACK. Call (888) 204-6246 to order forms. Some of the available forms are:
 - ◆ CLU/CPCU/College Degree and Experience Status (form #601011).
 - ◆ Nonresident Agent Certification. This is required for nonresident agents to comply with reciprocal educational agreements between Florida and other states (form #601015).
 - ◆ Statement of Governmental Status. This is required to exempt an agent from continuing education requirements if he or she currently serves as a governmental employee (form #601017).
- Provider/course offering catalogs. You can obtain a list of course offerings in your area by calling (888) 204-6214.
- Internet access. You can download forms from ASI's home page at <http://www.asisvcs.com>.
- Continuing Education Guide. This document provides general information such as: who is required to earn CE credits, who can qualify for reduced hours, basic types of courses offered, etc. Call (888) 204-6214 to obtain a copy of this guide.

Contact ASI for any of your continuing education needs
at the numbers listed above.

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Moving? Changing Jobs? Let Us Know

If you are planning to move or change jobs, be sure to notify the Department of your new address. Section 626.551, Florida Statutes, requires licensees to send written notice within 30 days after any address change. Many licensees do not realize that we record three addresses: home, business and mailing. The only way the Department knows that you have moved or changed jobs is when you send a written notice to us. Companies do not update agent and adjuster addresses on the appointment forms.

The Department sends all correspondence to the licensee's mailing address. By maintaining an accurate address with the Department, you will continue to receive correspondence regarding your appointments and license status. You will also receive *The Intercom*, which contains information about changes in laws and procedures that can affect the way you do business. An address correction form is on page 10. Please use it to report any current or future changes in your address. ■

Managing General Agents. . .

What Agents & Companies Need to Know

A managing general agent (MGA) manages all or part of the insurance business of an insurer and acts as agent for the insurer. Responsibilities include the collection of premiums for the account of the insurer and the maintenance of separate records of business written by the MGA. Managing general agents are authorized to adjust or pay claims and negotiate reinsurance on behalf of the insurer. An MGA may assist in the negotiation of insurance contracts, only if accompanied by a licensed and appointed general lines agent or solicitor. Florida law contains many details concerning the responsibilities of an MGA. This article provides only an overview. Licensed MGAs and those who wish to become licensed as MGAs should be familiar with the applicable statutes. Section 626.091, Florida Statutes, defines a managing general agent. Sections 626.744, F.S., through 626.7454, F.S., govern the activities of an MGA and the insurer that has appointed the MGA.

Managing general agents are licensed by the Department of Insurance (DOI) and must be appointed by an insurer prior to conducting insurance business in Florida. Applicants may be an individual or a firm, and may be residents or nonresidents. Section 626.091(2) lists circumstances that prohibit a person or firm from becoming licensed as an MGA.

Applicants for licensure must submit an application, fingerprint card, and applicable fees to the Department. In the case of firms, officers of the firm must submit fingerprint cards. The Department does not require applicants to take prelicensing courses or an exam. However, an application for an MGA license will not be authorized if the applicant holds an active general lines appointment, a solicitor or customer representative appointment, or is an employee of the insurer that the applicant intends to represent. Upon ap-

proval, the agent will receive a license in the mail.

An insurer authorized to conduct insurance business in Florida must appoint the MGA before the MGA can conduct business on behalf of the insurer. The MGA must obtain an appointment from *each* insurance company that he/she wishes to represent. Section 626.7453, F.S., states that as part of the appointment process, an insurer must certify that, upon investigation, and to the best of the insurer's knowledge and belief, the proposed managing general agent has obtained errors and omissions insurance in an amount

s.626.7451(10), F.S.: bind reinsurance or retrocessions on behalf of the insurer, except for certain exemptions as outlined in s.626.7451(10)(a), F.S.; commit the insurer to participate in a syndicate; pay or commit the insurer to pay a claim over a previously specified amount; collect any payment from a reinsurer or commit the insurer to any claims with a reinsurer without prior approval; appoint any producer without proper licensure; permit a subproducer to serve on its board of directors; or appoint a submanaging general agent.

In the course of a property and casualty market conduct examination of an insurer licensed to conduct business in the state of Florida, the Department will verify compliance with all of the above mentioned statutes. If an insurer is found to be in noncompliance, the insurer will be cited with violation of the applicable statute and charged a monetary penalty as provided by DOI Rule 4-142.011-Insurer Conduct Penalty

Guidelines. The Department will direct the insurer to correct the actions that resulted in the violation. The common violations that arise in these examinations include: use of an unlicensed and/or unappointed MGA, use of unauthorized or incorrect MGA fee, and failure to obtain an independent financial examination.

While Sections 626.091 and 626.7452, F.S. both hold the insurer responsible for the acts of the MGA, the Division of Insurer Services (responsible for licensing and regulation of insurers) works in cooperation with the Division of Agent and Agency Services (responsible for licensing and regulation of managing general agents) to ensure that agents and insurers are conducting business in the state of Florida as required by Florida Statutes. ■

Managing General Agents must be appointed by an insurer prior to conducting insurance business in Florida.

acceptable to the insurer. This does not apply to an MGA who is a controlled or controlling person.

Section 626.7454(1), F.S. states that an insurer is responsible for maintaining an independent financial examination, in a format acceptable to the DOI, for each MGA with which it has done business.

Section 626.7451, F.S. is especially important because it provides details relating to the contract between the MGA and the appointing insurer. Subsection (11) addresses the issue of how the \$25 MGA policy fee is applied. This is a per-policy fee that cannot exceed \$25 even when combined with other policy fees. It is a fully earned fee and must be a component of the insurer's filed and approved rate filing before it can be charged on a policy.

Managing general agents may **not** perform any of the following, according to

Appointments Required to Transact Insurance

A licensee may **not** transact insurance until he or she is **appointed** by an insurer, adjusting firm, general lines agent, or the licensee (in the case of self-employed licensure classes), in accordance with the class(es) of licensure held. The insurance **license** only certifies that the individual or firm named on the license is **qualified** to transact the type/class(es) of insurance listed on the license.

In addition, a licensee (individual or firm) must obtain an appointment from **each** insurance company the licensee wishes to represent.

If an individual is licensed in the classes of life and health, the license certifies that she/he has satisfied the educational or experience requirements, and the Department has determined that the individual is qualified to transact these lines of business. If the individual wishes to market both types of products, he/she must be appointed by either an insurer authorized under its certificate of authority to transact both lines of business or by separate companies for each line.

Example: If ABC Company appoints an agent to sell life only, then the agent is still required to obtain an additional appointment with an appropriate company for the health portion of his/her license if the agent intends to market both products.

Who can appoint licensees?

- Insurance companies appoint agents and insurance company employee adjusters.
- Licensed and appointed general lines (property & casualty) agents appoint customer representatives and crop hail and multiple-peril crop insurance agents.
- Adjusting firms appoint independent and public adjusters.
- Surplus lines agents, reinsurance intermediaries, health care risk managers, professional bail bondsmen and self-employed independent or public adjusters must appoint themselves.■



Customer Representatives

The Department has received reports that many customer representatives (type/class 04-40) and limited customer representatives (type/class 04-42) are not complying with the requirement that they be appointed in order to conduct insurance business. Florida law requires all licensed persons to be properly appointed **before** they can transact business, even if they only assist an agent or agency. All customer representatives and limited customer representatives must work under the supervision of a general lines agent. The supervising agent should submit a completed appointment form (form DI4-501) and applicable fees to the Department.

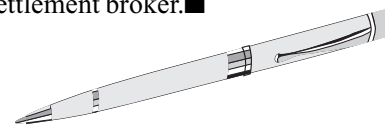
If you are transacting insurance without a current appointment, obtain one immediately. Agents should be aware that conducting business without an appointment may result in administrative action against an agent's license. Compliance in the appointment process helps insurance customers retain their trust in the integrity of the industry.■

Viatical Brokers

A viatical settlement broker must be appointed by a **viatical settlement provider** after licensure in order to negotiate viatical settlement contracts. Providers must complete and submit an appointment form (form DI4-501), along with the applicable fee, to the Department of Insurance. Brokers should be aware that conducting such business without an appointment may result in administrative action against the broker's license.

To determine whether a provider is licensed in Florida, call the Department's Consumer Helpline at (800) 342-2762. If you are unsure whether you are properly appointed, call the Bureau of Licensing at (850) 922-3137, ext. 1101.

A licensed life insurance agent may perform the functions of a viatical broker without obtaining a separate license from the Department, as long as the agent is properly appointed by the viatical provider being represented. All other persons or entities must apply for licensure as a viatical settlement broker.■



Surplus Lines Agents

Unlike other licensed insurance agents, surplus lines agents are responsible for appointing **themselves** to conduct the business of insurance. Call the Bureau of Licensing at (850) 922-3137 to request an appointment form. Complete the form and return with the applicable fee to the Department prior to conducting insurance business.

Agents should be aware that conducting such business without an appointment may result in administrative action against an agent's license.■

Closing an Insurance Agency

The July - October 1996 issue of *The Intercom* featured an article on how to open an insurance agency. This article will give general guidance to insurance agents who choose to close an insurance agency location.

✓ Contact the carriers represented

Notify each insurance carrier that you represent of your intention to close the agency. Make arrangements to return their marketing materials and insured files, unless the carrier allows you to find a new servicing agent. The Department requires that existing customers continue to be serviced either by a properly licensed and appointed agent, or by the company's office personnel. Insurance agents who close an agency and do not make arrangements to properly service existing customers risk regulatory action by the Department.

✓ Notify premium finance companies

It is important that you alert any premium finance companies used by your agency of your decision to close your agency operation. Let them know the correct address to use to contact you if they have any questions about your existing book of business. If the insurance carrier(s) has approved a new servicing agent, then the premium finance companies should be so advised. The premium finance companies are not required to accept new business from the servicing agent, but may do so at their discretion. *Finance companies hold you responsible for bank drafts considered to be in your possession.*

✓ Contact the agency's customers

Mail a notice to each customer, advising them of the closing of the agency and whom they can contact for service on their existing policies. If the insurance carrier(s) has not yet approved a new servicing agent, then the notice should direct your customers to contact their insurance carrier(s) for policy service. This notice should include a telephone number at the servicing agent's or company's offices.

As a courtesy, you should notify the Department's consumer assistance office of your agency's closing. Address your correspondence to: Florida Department of Insurance, Division of Consumer Services, 200 East Gaines Street, Tallahassee, FL 32399-0321.

✓ Contact the landlord

Any lease or rental agreement entered into by you for conducting your agency business remains binding until both parties agree to end the contract. Closing the agency doors and not returning to the location does not end your obligation to pay rent. This is true of all rental agreements, including those for computers, postage machines, copiers, telephone systems and fax machines. You are responsible for paying all utility bills until the utility company terminates or transfers the account.

✓ File an updated primary agent form

Use form D-14-63/64, "Designation or Deletion of Primary Agent for Insurance Agency" to cancel the primary agent designation for your agency. This is especially important if you have sold your agency and a new agent will be servicing the policies. This form notifies the Department that you have stopped working at the agency and are no longer responsible for the activities of the agent(s) and staff in the agency.

It is equally important that the new agent submit a form to designate him/her as the new primary agent for the agency location. Florida law requires insurance agencies to operate under the active supervision of a properly licensed and appointed insurance agent. If the supervising agent is no longer associated with the agency, then customer representatives and unlicensed insurance agency personnel may not continue to conduct insurance-related activities. The former agent must ensure that such activities cease until another properly licensed and appointed agent is in place to supervise the activities of customer representatives and unlicensed agency personnel.

✓ Submit a change of address

Section 626.551, Florida Statutes, states that every licensee shall notify the Department in writing within 30 days after a change of name, residence address, principal business address, or mailing address. Closing an agency indicates that you have relocated your principal place of business and possibly changed your mailing address as well.

✓ Bank accounts

It is important to keep all bank accounts active until all outstanding checks have cleared. Checks returned due to insufficient funds will likely trigger a formal investigation by the Department of Insurance concerning the proper accounting and remittance of insurance fiduciary funds.

Reminder: Section 626.611(10), F.S., prohibits withholding moneys belonging to others in the conduct of business under a license issued by the Department.

✓ Post office

Submit a mail forwarding order to the local post office for the agency mail and your personal mail. This will prevent policies, premiums, notices, etc. from being lost while the permanent address changes are being made.

✓ Agency files and records

Section 626.561(2), F.S. requires every licensee to preserve books, accounts and records pertaining to a premium payment for at least three years after payment. Any agent closing an insurance agency must make provisions for the records to be available for inspection in accordance with the statutes. You can comply with this law by transferring the files to a new servicing agent, or returning the files to the appropriate insurer.

New Life Insurance Buyer's Guide May Lack Required Information



The National Association of Insurance Commissioners (NAIC) has issued a new version of the Life Insurance Buyer's Guide. This is a revision of the guide adopted on May 4, 1976. But the new version, dated December 16, 1996, does not necessarily meet the requirements of Section 626.99, Florida Statutes. It does not appear that the new buyer's guide gives an adequate explanation of the cost index, as the statute seems to require.

Section 626.99, F.S., "Life Insurance Solicitation" requires insurers to provide certain information to purchasers or prospective purchasers of insurance. This information should explain the basic features of the policy being considered and improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance. The statute provides for this information to be

contained in a buyer's guide. The agent, as a representative of the insurer, commonly provides this guide to the consumer along with the required policy summary (which shows the indexes).

Section 626.99(5)(e), F.S. states: "A system or presentation which does not recognize the time value of money through the use of appropriate interest adjustments shall not be used for comparing the cost of two or more life insurance policies. Such a system may be used for the purpose of demonstrating the cash-flow pattern of a policy if such presentation is accompanied by a statement disclosing that the presentation does not recognize that, because of interest, a dollar in the future has less value than a dollar today." It appears that some illustration material does not include all the needed disclosure (e.g., indexes) as this

section of the statute seems to require.


The statute requires all insurers soliciting life insurance in the state of Florida to adopt and use a buyer's guide. The statute also states that the guide adopted by the NAIC on May 4, 1976 complies with this requirement. It is not clear whether any insurer has adopted the new guide, but companies have inquired as to whether they can use it. The Department has advised these companies to continue to use the 1976 version.

The Department advises any agents who are using the 1996 version of the NAIC buyer's guide to discontinue doing so, and to return to the 1976 version. ■

CASE NOTES

- An audit of a premium finance company found that a general lines agency had not been diligent in refunding money due policyholders. An investigation revealed that hundreds of insureds had received their refunds three to 12 months after the agency had received credit from the premium finance company. Refunds were made, and the general lines agent in charge was fined \$2,000 and placed on one year's probation. Agents are reminded of Section 627.848(2)(e), Florida Statutes, which states that within 15 days of receipt of notification from the premium finance company, the agent shall return the unearned premium, including any unearned commission, to the insured or apply the refund to the purchase of another insurance product with the written approval of the insured.
- A general lines insurance agent failed to timely refund an unearned premium on an automobile policy and failed to notify the Department of a change in his business address. The agent entered into a Settlement Stipulation for Consent order and was assessed an administrative fine and one year's probation.
- A life, health and general lines agent was issued a Letter of Guidance concerning his failure to advise the Department of a change in his business address. The agent refused to comply with the Department's request and also failed to file a primary agent form. The Department assessed an administrative fine and one year's probation.
- An unlicensed person applied for a general lines license in Florida. A prelicensing investigation revealed that he had pled guilty to an insurance-related crime in 1989 and also transacted insurance for two years without a license by signing another agent's name to applications. The subject was fined \$5,000 and ordered to cease and desist from transacting insurance without a license.
- A general lines, life and health agent was served with an Administrative Complaint charging multiple counts of misappropriation of fiduciary funds and misrepresentation. The agent failed to answer the Administrative Complaint or request a hearing. The Department issued an Order of Revocation barring his continued participation in the insurance business. ■

New Companies



Allstate Floridian Indemnity Company was authorized on March 2, 1998. Lines of business: Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Inland Marine, Earthquake, Private Passenger Auto Liability, Commercial Auto Liability, PPA Physical Damage, Commercial Auto Physical Damage, Glass, Burglary and Theft, Boiler and Machinery, Mobile Home Multi Peril, Mobile Home Physical Damage, Other Liability, Reinsurance. Address: 2775 Sanders Road, Northbrook, IL 60062; telephone: (847) 402-5000.

American Strategic Insurance Corporation was authorized on December 20, 1997. Lines of business: Fire, Allied Lines, Homeowners Multi Peril, Inland Marine, Other Liability, Reinsurance. Address: PO Box 8080, Pinellas Park, FL 33780; telephone (813) 546-8911.

American Superior Insurance Company was authorized on November 21, 1997. Lines of business: Fire, Allied Lines, Homeowners Multi Peril, Industrial Fire, Mobile Home Multi Peril, Mobile Home Physical Damage. Address: 8699 NW 36 Street, Suite 100, Miami, FL 33166; telephone (305) 592-9600.

Century American Insurance Company was authorized on December 31, 1997. Lines of business: Medical Malpractice, Surety, Other Liability, Reinsurance. Address: PO Box 15879, Durham, NC 27704; telephone: (919) 383-0279.

Clarendon America Insurance Company was placed on Florida's list of eligible surplus lines insurers on February 13, 1998. Address: Waterview Plaza, Suite 3102001, Route 46, Parsippany, NJ 07054; telephone (302) 656-0142.

Connecticut Surety Company was authorized on January 20, 1998. Lines of business: Fidelity, Surety, Reinsurance. Address: City Place III 185 Asylum Street, Hartford, CT 06103; telephone: (860) 527-7806.

Desoto Insurance Company was authorized on December 12, 1997. Lines of business: Homeowners Multi Peril, Reinsurance. Address: 1415 E. Piedmont Drive, Suite 2, Tallahassee, FL 32308; telephone (850) 523-0222.

First Mercury Insurance Company was placed on Florida's list of eligible surplus lines insurers on December 4, 1997. Address: 29621 Northwestern Highway, Southfield, MI 48034; telephone (810) 358-4010.

First Reinsurance Company of Hartford was authorized on December 31, 1997. Lines of business (Reinsurance only): Inland Marine, Workers' Compensation, Other Liability. Address: 55 W. Monroe Street, Suite 2700, Chicago, IL 60603; telephone (860) 674-1058.

Michigan Physicians Mutual Liability Company was authorized on December 31, 1997. Lines of business: Medical Malpractice, Workers' Compensation, Other Liability, Reinsurance. Address: PO Box 1471, East Lansing, MI 48826; telephone: (517) 351-1150.

PICOM Insurance Company was authorized on December 26, 1997. Lines of business: Medical Malpractice, Other Liability, Reinsurance. Address: Box 2510, Okemos, MI 48805; telephone: (517) 349-6500.

Risk Capital Reinsurance Company was authorized on December 31, 1997. Lines of business: Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Ocean Marine, Inland Marine, Medical Malpractice, Workers' Compensation, Private Passenger Auto Liability, Commercial Auto Liability, PPA Physical Damage, Other Liability. Address: 20 Horseneck Lane, Greenwich, CT 06830; telephone: (203) 862-4300.

Sunshine State Insurance Company was authorized on November 21, 1997. Lines of business: Homeowners Multi Peril, Reinsurance. Address: 2110 Sawgrass Village Drive, Ponte Vedra Beach, FL 32082; telephone (904) 285-1879.

Travelers Excess and Surplus Lines Company was placed on Florida's list of eligible surplus lines insurers on January 12, 1998. Address: One Tower Square, Hartford, CT 06183; telephone (860) 277-0111.

Universal Property and Casualty Insurance Company was authorized on December 31, 1997. Lines of business: Fire, Homeowners Multi Peril, Reinsurance. Address: 19589 NE 10th Avenue, Miami, FL 33179; telephone: (305) 653-4274. ■

Florida Life Insurance Company in Receivership

On November 18, 1997, upon the request of the Florida Department of Insurance, Leon County Circuit Court issued an order placing Florida Life Insurance Company into receivership for purposes of liquidation.

The company, formerly known as Conger Life Insurance Company, is domiciled in Florida and wrote life and some health insurance coverage. It is located at One Oakwood Boulevard, Suite 250, Hollywood, Florida.

The Florida Life Insurance Guaranty Association will assume all policies.

Policyholders, claimants, creditors and other persons having claims against the assets of Florida Life Insurance Company f/k/a Conger Life Insurance Company shall present such claims to the Receiver on or before August 18, 1998.

Notice to agents: Each agent who has placed coverage by or through an insolvent insurer must, within 15 days of notification of liquidation by the Receiver, either replace or reinsure the insurance coverage with an authorized, solvent insurer; or such agent must send, by registered or certified

mail, notice of insolvency to the last known address of all policyholders of the delinquent insurer. An agent's failure to comply with these provisions can result in administrative action against his/her license.

Premiums and unearned commissions that have been collected on behalf of Florida Life Insurance Company constitute an asset of the estate and must be accounted for and paid to the Receiver. ■

Updated CE Course Transcripts Available

A new service now offered by the Department, through its education tracking vendor, includes course transcripts. Transcripts generated by Assessment Systems, Inc. (ASI), provide up-to-date course and credit hour information to licensees, insurers and other interested parties. A transcript will show courses taken during previous and current compliance periods. However, **continuing education (CE) compliance is not determined by the transcript.**

Transcripts are designed simply to offer an "inventory" of courses that a licensee has taken. There will be occasions when a course is not reflected on a transcript — such

as when a course is taken after the transcript date, or when a course provider does not file a course roster before the transcript is produced.

As a rule, ASI will automatically mail transcripts six months before the licensee's compliance due date. ASI has already mailed some transcripts, in order to transition this service to a schedule set by the Department.

If you receive a transcript that does not show courses taken, **do not panic.** Contact the school where you took the course, to ensure that it has submitted a roster reflecting that you completed the course. You may need to provide a copy of your course

completion certificate if the school is unable to assist. After allowing 30 days for your CE record to be updated, call the toll free FAX-BACK system at (888) 205-6251 to request a new transcript. The missing course should appear on the new transcript.

If you have not received a transcript, but would like one, you can request it via the FAX-BACK system. If you still have questions, contact ASI Customer Service at (888) 204-6214 for further assistance. ■



Agent/Adjuster Information on Department Website

High technology meets the Department! Check out the INDUSTRY MENU at the Florida Department of Insurance's home page, <http://www.doi.state.fl.us>, for information on the following subjects:

- ◆ Agent/Adjuster information - license and appointment information of active licensees.
- ◆ Continuing Education - general requirements.
- ◆ Current and past issues of *The Intercom*.

Keep watching - Other information is "under construction" and will soon be available. ■

New Insurance Law/Rule Reference Book

The Department has published a reference book of statutes and rules for insurance representatives. While it does not contain all the laws and regulations governing insurance in Florida, it contains many of the ones that agents, adjusters and other insurance representatives need to know in order to operate lawfully in the state.

The Department's testing vendor, Assessment Systems, Inc. (ASI), gives a copy of this book to all new licensees. Persons or entities who are already licensed may order the book from ASI for \$15 each. See the order form below.

Insurance representatives must become familiar with all laws and administrative regulations applicable to the licenses they hold. This book can be a handy reference tool and help to improve the quality of service that agents and adjusters provide to Florida's consumers.

Order Form for Insurance Law/Rule Reference Book

Please send me _____ copies of the State of Florida Insurance Law/Rule Reference Book for Insurance Representatives. Enclosed is a:

Company check _____ Cashier's check _____ Money order _____

In the amount of \$ _____ (\$15 per copy)

Name (Please print or type only)

Mailing Address

City

State

Zip Code

Telephone Number (include area code)

Return this order form to:
ASI
Florida Insurance Program
PO Box 5737
Tallahassee, FL 32314-5737

News from the Division of Fraud

Insurance Executives Accused of Looting Two Companies

The Division of Insurance Fraud (DIF) arrested three insurance executives in January on charges of unjustly enriching themselves from two insurance firms that collapsed last year. Fraud investigators identified them as: Joseph R. Pliego, president of Armor Insurance Company; Robin Pappas, director of accounting for Armor; and Larry E. Myers, outside corporate counsel. The three were charged with multiple counts of organized fraud, grand theft and making false entries into the corporate books of the defunct Armor Insurance Company and Associated Business Owners Self Insurance Fund (ABO).

Investigators cited one example of how the suspects allegedly enriched themselves. A temporary employee agency received cut-rate premium rates from Armor at the suggestion of one of Armor's own officers who, in exchange, received consulting fees from the temp agency. Armor, based in Tampa, sold mostly auto and trucking liability insurance around the state. ABO, a self-insurance fund also based in Tampa, sold workers' compensation coverage. Together they covered about 150 companies in various cities around the state.

Because of alleged fraud and mismanagement of Armor and ABO, the two insurers ran into financial trouble. Both were shut down and taken over by the Department of Insurance in early 1997. At that time, Insurance Commissioner Bill Nelson directed the DIF to determine whether any crimes were committed. Nelson said the three suspects received hefty salaries, personal loans and consulting fee kickbacks from customers who had their premiums illegally reduced on expensive

workers' compensation insurance policies. "This type of fraud is particularly harmful because it's difficult to uncover and because of its financial impact on legitimate businesses and policyholders," said Nelson.

The Florida Insurance Guaranty Association (FIGA), a legislatively-created safety net fund, covers insolvent insurance companies so claims do not go unpaid. FIGA will cover outstanding claims under policies issued by Armor or ABO. The Department's Division of Rehabilitation and Liquidation estimates that paying off all those claims over of the lifetimes of the insureds will cost about \$100 million. Insurance companies will have to put that amount back into the fund, and will probably pass the cost on to all policyholders. ■



Agent Charged with Misappropriating Customer Premiums

Life & Health and Industrial Fire/Burglary Insurance Agent Jimmy L. Salters was arrested in November 1997 on charges of grand theft and accounting for funds.

The Department of Insurance (DOI) took administrative action against Salters in May 1993 for misappropriation of funds. He was placed on probation for one year and ordered to pay restitution to his previous employer, Transamerica Life Insurance Company.

A 1997 investigation by DOI's Division of Insurance Fraud (DIF) revealed that Salters

misappropriated premium payments from approximately 50 United Insurance Company of America customers during the first half of 1996. After an audit of Salters' customer files, the company provided DOI with documentation that Salters had collected \$7,537 from policyholders but did not remit the funds to the company.

Salters allegedly converted the premium payments for his own use, therefore depriving United Insurance Company of America of the proceeds. Salters voluntarily surrendered his insurance license to DOI in October. His case will be tried in Leon County by the State Attorney's Office in the Second Judicial Circuit of Florida. ■

Insurance Agent Arrested for Diverting Funds

A Davie, Florida insurance agent was arrested in December on charges of Uttering a Forged Instrument and Grand Theft, after an investigation by the Division of Insurance Fraud.

Cynthia Sue Jones is the owner of All In One Insurance and was the agent of record for The Produce Connection in Miami. On behalf of All In One Insurance, Jones faxed a \$4,804 invoice for insurance premiums to The Produce Connection. David H. Isreal hand-delivered a check to Jones on April 15, 1997. On the same day, Jones endorsed the check and presented it for payment at the Cash Your Check, Inc. store in Fort Lauderdale.

The funds were not forwarded to the insurance company and the money was never returned to Isreal or The Produce Connection. DIF investigators found that Jones cashed the check and diverted the money for her own personal use. ■

JUA Unveils "Keep Out" Programs



The Florida Residential Property and Casualty Joint Underwriting Association (JUA) is developing "keep out" programs that would encourage agents to refer new policies to private insurers, instead of sending them to the JUA.

The JUA has two missions: to "depopulate" itself by transferring policies to private insurance companies; and to reduce the intake of new business. The JUA's "takeout" programs have been successful. The association reduced the number of personal lines residential policies from nearly 937,000 in the fall of 1996 to 487,590 at the end of 1997. However, the continuous heavy flow of new policies being written into the JUA threatens to erode this success. Last year, 279,203 new personal lines residential policies were written into the JUA.

The "keep out" programs would reduce the flow of new personal lines residential policies and/or commercial lines residential policies into the JUA. When an insurance company makes a commitment to accept new policies, the JUA will send a bulletin to JUA producers. The agents will be asked, or in some cases required, to submit applications for property insurance coverage to the company prior to submitting such applications to the JUA.

JUA producers would benefit from establishing relationships with private companies. Since agents sometimes lose business from a policy once it's transferred out of the JUA, there is a financial incentive for producers to participate. ■

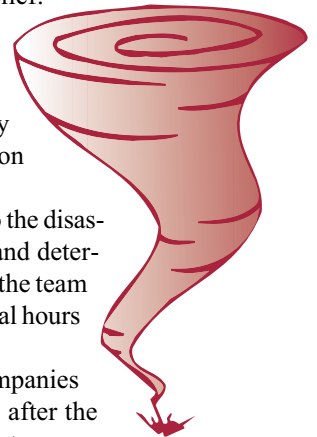
Insurance Disaster Preparation Process

The insurance claims process is the most important long-term private sector activity following a hurricane or other major catastrophe. It produced over \$16 billion in payments for temporary living expenses, repairs and rebuilding after Hurricane Andrew, \$1.6 billion following Opal and \$350 million following Hurricane Erin. It was only recently that state government and the insurance industry began to coordinate recovery efforts to benefit citizens.

Florida Department of Insurance (DOI), Florida Emergency Preparedness Association, Florida Department of Community Affairs' Division of Emergency Management (DEM), Florida Insurance Council (FIC) and several individual insurance companies worked for several years to develop a unique, mutually cooperative Insurance Disaster Preparation Process (IDPP). The IDPP will provide expedited insurance settlements to insured citizens following a natural disaster.

The IDPP includes the following elements of emergency relief:

- An insurance industry team, supervised by FIC, will be at the DEM Emergency Operations Center in Tallahassee during every major disaster threat or actual event. The team will respond to insurance-related questions from emergency management officials and the news media. Information on the storm will be available on FIC's Internet homepage.
- An Insurance Disaster Assessment Team (IDAT) will go to the disaster area as soon as possible to evaluate insured damage and determine adjuster needs. Law enforcement vehicles will take the team into the disaster area when it is safe, probably within several hours after the wind abates.
- Following the IDAT survey, adjusters from individual companies will be admitted into the area, probably within 24 hours after the storm. Where there is restricted access, they will use adjuster passes.



These passes will be issued by DEM and distributed by FIC to licensed companies in advance of hurricane season.

FIC and DOI will oversee and coordinate claims settlement activities of individual insurers following a hurricane. The Council will also coordinate with the state DEM's recovery team on a long-term basis during the months following a disaster. The model for this activity shall be the Hurricane Insurance Information Center, which was operated by the industry in Miami's Kendall area for 18 months following Hurricane Andrew.

The IDPP was implemented for the first time during the 1996 season as a result of near misses by Bertha, Fran, Edouard and Lili, and an actual hit by Tropical Storm Josephine, which produced approximately \$65 million in insured losses. ■

Did You Remember to Send Your Primary Agent Form?

If you have not yet submitted your Primary Agent Form to the Department, you must send it immediately. Chapters 626.592 and 626.8695, Florida Statutes, require each person operating an insurance agency or adjusting firm and each location of a multiple agency or firm to complete a Primary Agent/Adjuster Form (D14-63/64) on or before January 1 of each year. The form was printed in the Sept. - Dec. 1997 issue of *The Intercom*. You can also download the form from the Department's Internet website, at <http://www.doi.state.fl.us/Industry/AgentServices/AgentIntercom/ai.htm>.

Even if there has been no change in the primary agent/adjuster since the previous year, you must still send in a form designating that individual as the primary agent/adjuster.

If your agency has more than one branch or location, a primary agent must be designated for **each separate location**.

If you have any questions about completing the Primary Agent/Primary Adjuster Form, call the Bureau of Investigation at (850) 922-3136. ■

State of Florida Department of Insurance ADDRESS CORRECTION REQUEST

If your residence, business or mailing address has changed since filing your original application for license with the Department, please complete the following and mail to the address listed below.

PRINT OR TYPE

	-		-	
--	---	--	---	--

Agent Social Security #

--

Last Name

--

First Name

--

MI

--	--	--

Home Telephone Number

--	--	--

Work Telephone Number

--

Home Street Address

--

Apt. #

--

Home City

--

State

--

Home Zip Code

--

Business Name

--

Business Street Address

--

Building/Suite #

--

Business County

--

Business City

--

Bus. State

--

Business Zip Code

--

Mailing Address

--

Building/Suite #

--

Mailing City

--

State

--

Mailing Zip Code

Signature of Applicant

Date

*Mail to: Florida Department of Insurance
Bureau of Agent and Agency Licensing
200 East Gaines Street, Larson Building
Tallahassee, Florida 32399-0319*

DISCIPLINARY ACTIONS

October - December 1997

Many of the following disciplinary actions have been resolved through consent orders based upon settlement stipulations in which there was no finding or admission of guilt by the licensee. The Department believes that notification of these actions is in the public interest and, although every effort is made to provide correct information, our readers are cautioned to check with the Department before making a decision based upon this listing.

This listing does not reflect pending appeals or requests for hearings. Inquiries should be directed to: Florida Department of Insurance, Bureau of Agent and Agency Licensing, 200 East Gaines Street, Tallahassee, Florida 32399-0319; telephone (850) 922-3137.



Warning: No part of this listing may be used by a licensee to gain a competitive advantage over any person named herein. Any licensee who does so may be in violation of Section 626.9541(1)(c), F.S.

SUSPENSIONS

Last Name,	First,	MI	City	St.
Ale	John	M	Davie	FL
Baillie	Alastair		St. Petersburg	FL
Ewing*	Paula	A	West Palm Beach	FL
*License reinstated 1/29/98				
Francois	Jackson	M	West Palm Beach	FL
Garcia*	Sergio	R	Plantation	FL
*License reinstated 12/3/97				
Gonzalez*	Manuel		Miami	FL
*License reinstated 1/27/98				
Granteed	Nicholas	L	Hollywood	FL
Hodnett	Michael	L	Boca Raton	FL
Lee	Johnny		Miami	FL
Lockhart	Lyn	C	Delray Beach	FL
Maling	John	J	Tampa	FL
Metchick	Donald	D	Longwood	FL
Matthews	Trevis	G	Tallahassee	FL
Nogowski	Roy	A	Coral Springs	FL
Pizarro	Angel	L	Tampa	FL
Scheetz	Kevin	R	Jacksonville	FL
Schmidt	David	A	Fairmont	MN
Walker	Elalia	D	Tampa	FL
Werner	Allison	K	Pompano Beach	FL
Worwa*	Francis	L	New Port Richey	FL
*License reinstated 2/3/98				

REVOCATIONS

Last Name,	First,	MI	City	St.
Barry	Kenneth	C	Tampa	FL
Beck	Donald	E	Cooper City	FL
Bendana	Nancy		Miami	FL

REVOCATIONS (Cont.)

Best	Michael	E	Sarasota	FL
Boesch	Robert	H	Pompano Beach	FL
Braddy	Jimmy	M	Tallahassee	FL
Broege, Jr.	Robert	F	Palm Harbor	FL
Calley	Garrett	D	Madeira Beach	FL
Carbone	James	A	Ridley Park	PA
Cassese Jr.	John	W	Boca Raton	FL
Chinn	Janie	B	Merritt Island	FL
Chipman	David	R	Loxahatchee	FL
Cochran	Helen	C	Daytona Beach	FL
Collins	Sabrina	L	Pensacola	FL
Cosme	Edgardo		Kissimmee	FL
Curtis	Robert	J	Milton	FL
David Jr.	William	L	Jacksonville	FL
Dixon	Carl	D	Ft. Lauderdale	FL
Dyer	John	H	Ft. Myers Beach	FL
Dykes, Sr.	Robert	L	Miami	FL
Edward	Daniel	R	Miami	FL
Elledge	David	B	Jacksonville	FL
Fearon	Kathleen	A	Treasure Island	FL
Gozzo	Gary	S	Palm Beach Gdns.	FL
Green	Margaret	E	Jacksonville	FL
Harrod	Robert	W	Omaha	NE
Hogan	Patrick	M	Tampa	FL
Jenkins	Christopher	B	Jacksonville	FL
Jennings	Robert	W	Tamarac	FL
Knudson	Lloyd	M	Panama City	FL
Korzeniewski	Richard		Savannah	GA
Mollman	Bernard	K	Panama City	FL
Osaze	Martin		Lutz	FL
Salters	Jimmy	L	Havana	FL
Sciuto	John		Waterford	NY
Seiler	Scott	A	Wellington	FL
Seymour	Robert	S	Jacksonville	FL
Soler	Juan	R	Tampa	FL
Speake	Michael	M	Largo	FL
Starr	Robert	R	New Port Richey	FL
Tumelty	William	J	Sarasota	FL
Wormley	Zelda	Y	Fredericksburg	VA

THE INTERCOM

The Intercom is published by the Department of Insurance,
Division of Agent and Agencies Services,
200 East Gaines Street,
Tallahassee, FL 32399-0318.

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We welcome suggestions and inquiries concerning *The Intercom*. Written suggestions should be mailed to Kathryn Criscola, Florida Department of Insurance, 200 East Gaines Street, Tallahassee, Florida 32399-0318.
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If your name, residence address, principal business street address, or mailing address changes, you must notify the Department within 30 days of the change. Licensees who fail to comply are in violation of Chapter 626.551, F.S., and are subject to investigation and possible disciplinary action.

Please mail your notice of change to:
Bureau of Licensing
Department of Insurance
200 East Gaines Street
Tallahassee, FL 32399-0319

A name change necessitates the re-issuance of your insurance license. Please remember to enclose the \$5 fee and a copy of your marriage certificate, divorce decree, or other documentation at the time you request re-issuance.

Bill Nelson Treasurer/Insurance Commissioner/Fire Marshal DIVISION OF AGENT AND AGENCIES SERVICES



John E. Hale, Division Director
Mary Alice Palmer, Assistant Division Director
Phil Fountain, Chief, Bureau of Investigations
Shirley Kerns, Chief, Bureau of Licensing

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Education (850)922-3134 Ext. 1108
Qualifications Section (850)922-3137 Ext. 1101

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