

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT FINAL EXAMINATION
REPORT**

OF

AMERICAN PHYSICIANS ASSURANCE CORPORATION

AS OF

October 21, 2005

NAIC COMPANY CODE: 33006



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of American Physicians Assurance Corporation (Company) was performed by Scott Hall of Thomas Howell Ferguson, P.A. The scope of this examination was June 1, 2004 through September 29, 2005. The examination began October 19, 2005 and ended October 21, 2005.

The purpose of this examination was to validate the completeness, accuracy and timeliness of reporting Professional Liability claims as required by Section 627.912, Florida Statutes.

In conducting the review, three tests were performed; Completeness, Accuracy and Timeliness. The Completeness test compares the total number of claims closed during the scope period that should have been reported to closed claims that were actually reported. The Accuracy test compares the information required to be reported to the Office to the information contained in the Company's claim file. This test was only conducted on a sample of those claims closed during the scope period and actually reported. The Timeliness test compares the date the claim should have been reported to the Office to the date the claim was actually reported. This test was only conducted on those closed claims actually reported within the scope period. The Timeliness test may include closed claims reported during the scope period but actually closed prior to the scope period. However, because they were not closed during the scope period, such claims would not be included in either the Completeness or Accuracy test.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company. The files examined were selected systematically from data files provided by the Company using Microsoft Excel's "random sample" selection process. Procedures and conduct of the examination were in accordance with the Market Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

American Physicians Assurance Corporation is a foreign property and casualty insurer licensed to conduct business in the State of Florida. The Company provides professional liability insurance in the State of Florida.

Total Direct Premiums Written in Florida for Professional Liability are broken down as follows:

Year	Total Written Premium (Florida)
2004	\$959,462

The Company had 434 Professional Liability claims open as of April 1, 2004, which were subject to Section 627.912, Florida Statutes, and which will need to be reported upon closure as required by the Statute.

Three hundred twenty-six (326) claims were closed during the scope period and should have been reported pursuant to Section 627.912, Florida Statutes.

CLAIMS REVIEW

Findings

Completeness Test

The Completeness test compares the total number of claims closed during the scope period that should have been reported to closed claims that were actually reported.

Of the 326 closed claims reviewed, 9, or 3%, of the claims were not reported.

Nine (9) errors were due to failure to report closed claims. Section 627.912, Florida Statutes, states that closed claims meeting specific reasons for closure must be reported to the Office. The Company did not report closed claims meeting the requirements of the above statute to the Office.

Corrective Action: The Company should report those closed claims which were not previously reported during the scope of the examination. The Company should establish procedures to ensure that all closed claims meeting the reporting requirements of Section 627.912, Florida Statutes, are reported.

Accuracy Test

The Accuracy test compares the information required to be reported to the Office to the information contained in the Company's claim file. The Accuracy test can only be conducted on those claims closed during the scope period and actually reported.

One hundred forty-four (144) closed claims were reported during the scope period.

Ten (10) closed claim reports were reviewed.

Ten (10), or 100%, of the claims reviewed were in error.

Ten (10) errors were due to failure to accurately report closed claims. Section 627.912, Florida Statutes, states that closed claims meeting specific reasons for closure must be reported to the Office and must contain required information for each claim. The Company failed to accurately report all information required for closed claims as defined in the above statute.

Corrective Action: The Company should edit each closed claim report which contains incorrect and/or incomplete information. The Company should establish procedures to ensure that all information required to be reported for closed claims is contained in each report.

Timeliness Test

The Timeliness test compares the date the claim should have been reported to the Office to the date the claim was actually reported. The Timeliness test can only be conducted on those closed claims actually reported within the scope period.

Of the 144 closed claims reviewed, 51, or 35%, of the claims were in error.

Fifty-one (51) errors were due to failure to timely report closed claims. Section 627.912, Florida Statutes, states that closed claims meeting specific reasons for closure must be reported to the Office within a certain time frame. The Company failed to report closed claims within the time frame required in the above statute.

Corrective Action: The Company should establish procedures to ensure that closed claims are reported within the time frame required in the above statute.

Reconciliation of populations for Completeness, Accuracy and Timeliness Tests

There were 326 claims subject to the reporting requirements of Section 627.912, Florida Statutes, of which 9 claims were not reported. However, the Company actually reported 144 claims within the scope period, rather than 317. Some of the claims closed in the scope period were not reported until after the examination scope period.

SUMMARY OF FINDINGS

		Actually Reported	Errors
Total Population	326		
Completeness Test		317	9
Accuracy Test		10	10
Timeliness Test		144	51

EXAMINATION FINAL REPORT

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