

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

COMP OPTIONS INSURANCE COMPANY, INC.
(BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 1/30/01

TABLE OF CONTENTS

| <u>PART NUMBER</u> | <u>SUBJECT</u> | <u>PAGE NUMBER</u> |
|--------------------|-------------------------------------|--------------------|
| I. | INTRODUCTION | 1 |
| II. | PRE-EXAM REVIEW OF COMPANY WRITINGS | 2 |
| III. | REVIEW OF POLICIES | |
| | A. WORKERS' COMPENSATION | 3 |

I. INTRODUCTION

Comp Options Insurance Company is a property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1998 through December 1999. This examination began April 2, 2000 and ended April 28, 2000. This is the first examination of this insurer by the Florida Department of Insurance.

The purpose of the examination was to verify that the Company is transacting business according to Florida Statutes.

During this examination, records reviewed included policies, audits and statistical information for the period of January 1998 through December 1999, as reflected in the report.

This report contains examination results addressing all areas of noncompliance found during the course of the examination. In all instances, the Company was directed to take corrective action as required, issue appropriate refunds, make all necessary filings with the Department and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes/Rules.

As a result of the findings of this examination, \$733 was returned to Florida consumers due to overcharges of premium or inappropriately charged fees.

II. PRE-EXAM REVIEW OF COMPANY'S WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

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

2. Error Percentages

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

No errors were found.

III. REVIEW OF POLICIES

A. WORKERS' COMPENSATION

1. Application of Rules, Rates and Forms

a. General Comments

Comp Options Insurance Company is a National Council on Compensation Insurance (NCCI) company and as such uses this organization's rules, rates and forms. The Company also makes some independent filings. The NCCI acts as statistical agent for this line of business.

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

| <u>Year</u> | <u>DPW</u> | <u>Policy Count</u> |
|-------------|-------------|---------------------|
| 1998 | \$3,974,298 | 380 |
| 1999 | \$7,151,715 | 1063 |

b. Error Percentages

Ninety (90) policies and audits were examined.

Seventeen (17) errors were found.

Errors affecting premium resulted in four (4) overcharges totaling \$733 and twelve (12) undercharges totaling \$5,070.

The errors are broken down as follows:

1. Eleven (11) errors were due to failure to properly apply the Anniversary Rating Date provisions. These errors resulted in overcharges totaling \$264, which have been refunded by the Company and undercharges totaling \$3,147. This constitutes a violation of Section 627.191, Florida Statutes.
2. Two (2) errors were due to failure to properly handle Executive Officers Exclusion. These errors resulted in overcharges totaling \$223. This constitutes a violation of Section 627.191, Florida Statutes.
3. Two (2) errors were due to failure to allow a certified Safe Workplace credit or allow a Safe Workplace credit without certification. These errors resulted in overcharges totaling \$246, which have been refunded and undercharges totaling \$323. This constitutes a violation of Section 627.191, Florida Statutes.
4. One (1) error was due to failure to use the correct classification for the business. This error resulted in an undercharge totaling \$1,163. This constitutes a violation of Section 627.191, Florida Statutes.
5. One (1) error was due to failure to include all known exposures in the policy. This error resulted in an undercharge totaling \$437. This constitutes a violation of Section 627.191, Florida Statutes.

2. Unit Statistical Review

a. Audit Comparison

Forty (40) premium statistical cards were examined.

No errors were found.

b. Claim Comparison

Five (5) claim statistical cards were examined.

Four (4) errors were found.

Errors affecting statistical reporting resulted in one (1) overreport totaling \$3,075 and three (3) underreports totaling \$15,143.

The errors are broken down as follows:

1. Two (2) errors were due to failure to report claim statistics to NCCI. These errors resulted in underreports totaling \$12,005. This constitutes a violation of Section 627.191, Florida Statutes.
2. One (1) error was due to failure to report the correct injury code according to the benefits paid to the injured worker. Injury code 5 was reported instead of injury code 3 when impairment benefits were paid. This constitutes a violation of Section 627.191, Florida Statutes.

3. One (1) error was due to failure to properly allocate a lump sum settlement to indemnity and medical as specified in the settlement. This error resulted in overreporting totaling \$3,075 and in underreporting totaling \$3,138. This constitutes a violation of Section 627.191, Florida Statutes.