

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

FORTRESS INSURANCE COMPANY

AS OF

October 21, 2005

NAIC COMPANY CODE: 10801



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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 Fortress Insurance Company (Company) was performed by Examination Resources, LLC. The scope of this examination was June 1, 2004 through September 29, 2005. The examination began October 18, 2005 and ended October 19, 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

Fortress Insurance Company 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	\$1,852,148

The Company had 7 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.

Twenty-five (25) 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. There were 25 claims closed during the scope period and all were found to have been reported.

Twenty-five (25) claims were reviewed. No errors were found.

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.

Only 1 of the reported claims closed within the scope period was available for review at the time of the examination. A review of that claim revealed that there were reporting accuracy errors.

One (1) error was 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 the closed claim report containing 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.

Twenty-five (25) claims were reported during the scope period.

Twenty-three (23) 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.

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

SUMMARY OF FINDINGS

		Actually Reported	Errors
Total Population	25		
Completeness Test		25	0
Accuracy Test		1	1
Timeliness Test		25	23

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.