

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT FINAL EXAMINATION
REPORT**

OF

PREFERRED PROFESSIONAL INSURANCE COMPANY

AS OF

NOVEMBER 4, 2005

NAIC COMPANY CODE: 36234



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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 Preferred Professional 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 November 1, 2005 and ended November 4, 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

Preferred Professional 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 is as follows:

Year	Total Written Premium (Florida)
2004	\$3,455,735

CLAIMS REVIEW

Findings

The Company had 34 Professional Liability claims open as of April 1, 2004, which were subject to Section 627.912, Florida Statutes.

Completeness Test

8 claims were subject to the reporting requirements of Section 627.912, Florida Statutes.

Of 8 closed claims reviewed, there were no errors noted.

Accuracy Test

8 claims were reported.

7 closed claim reports were reviewed.

5, or 72%, of the claims reviewed were in error.

5 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 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

8 claims were reported.

4, or 50%, of the claims reviewed were in error.

4 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	8		
Completeness Test		8	0
Accuracy Test		7	5
Timeliness Test		8	4

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.