

2000 TARGET PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

THE PRIMUS GROUP, INC.

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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I. INTRODUCTION

Primus Group, Inc., is a Risk Purchasing Group registered to conduct business in the State of Florida during the scope of this examination. The scope of the examination includes all policies placed during 1999 and 2000. The purpose of the target examination was to determine whether the Risk Purchasing Group has complied with Part XIX, Florida Statutes.

Per this examination, records reviewed and obtained included the account register agency-company agreement, agent's letter of authority, professional liability application, Zurich-American Insurance Group policy, membership enrollment and credentialing process, and membership invoice and payment. These documents show the flow of premiums into and out of the group, procedures for claims processing, including any claims which were paid by the Risk Purchasing Group.

This report contains examination results addressing all areas of noncompliance found during the course of the examination. In all instances, the Risk Purchasing Group was directed to take corrective action as required to place the Risk Purchasing Group in compliance with Florida Statutes/Rules.

II. REVIEW OF PREMIUM AND CLAIM PROCESSES

A. GENERAL COMMENTS

A meeting was held with Purchasing Group staff in order to identify the procedures for receipt and disbursement of premiums, as well as for procedures, if any, associated with the payment of claims. Membership fees only are received and retained by the Purchasing Group. Premiums are received by Aon Risk Services, Inc. as agent of record for the Purchasing Group. Claims are reported to Steadfast Insurance Company an eligible surplus lines insurer within the Zurich-American Insurance Group. The above procedures regarding premium and claims processing are described in Exhibit I and Exhibit II. A review of company records was conducted to verify whether or not these procedures were being followed and to determine whether or not the purchasing group was retaining risks

B. EXAM FINDINGS

The review included verification that the policies secured by the Purchasing Group have been placed with the Zurich American Insurance Group as identified in the Registration Statement. Per the examination it was determined that the procedures established by the Purchasing Group are being followed.

No policy files were examined.

All policy files are retained by Aon Risk Services. Premiums are collected in accordance with the agency-company agreement attached to this report as Exhibit II.

The Purchasing Group charges \$750.00 for membership dues. These dues are retained by Primus to cover expenses “routinely associated with provider credentialing and recredentialing; primary and specialty provider contracting, as well as hospital and ancillary contracting; payer contracting; marketing and promotion; purchasing coalition development and management; and general network administration. The Purchasing group was not aware nor involved in claims filed within the scope of this examination.

Per this examination disbursements from the Purchasing Group journal were reviewed and were found to be used for normal business expenses.

IV. EXHIBITS

| <u>SUBJECT</u> | <u>EXHIBIT NUMBER</u> |
|--------------------------|-----------------------|
| ZURICH POLICY | I |
| AGENCY-COMPANY AGREEMENT | II |