

**FLORIDA DEPARTMENT
OF
FINANCIAL SERVICES**

**OFFICE OF INSURANCE REGULATION
BUREAU OF MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT EXAMINATION REPORT

OF

FIRST COMMERCIAL INSURANCE COMPANY

AS OF

JANUARY 16, 2004

NAIC COMPANY CODE: 10347

EXAMINER: NORMAN REITMAN COMPANY, INC.

FILED DATE: 4/6/04



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Florida Department of Financial Services, Office of Insurance Regulation, Bureau of Market Investigations, pursuant to Section 624.3161, Florida Statutes, a property and casualty target market conduct examination of First Commercial Insurance Company was performed by Norman Reitman Company, Inc. The scope of this examination covered first reports of unit statistical reports issued to the National Council on Compensation Insurance, Inc. (NCCI) in 2003 for policies written between May 1, 2001 and April 30, 2002. The examination began December 29, 2003 and ended January 16, 2004.

The purpose of this examination was to verify the accuracy and timeliness of unit statistical reports reported by Workers' Compensation insurers to the NCCI.

In reviewing materials for this report, the examiners relied on records maintained by the Company. The files examined were selected systematically from data files provided by the Company using Microsoft Excel's "random sample" selection process. The examination report is a report by exception. As a result, files or material reviewed containing no improprieties by the Company have been omitted from the examination report. Procedures and conduct of the examination were in accordance with the Market Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

REVIEW OF UNIT STATISTICAL REPORTS

WORKERS' COMPENSATION

The current examination encompassed a review of workers' compensation Unit Statistical Reports including class codes and claims.

REPORT REVIEW

The following data is based on the review of fifty (50) policy files.

A. PREMIUMS:

In premiums, we looked at seventy-one (71) class codes.

The total written premiums for the policy sample were \$732,503.

B. CLAIMS:

In claims, we looked at thirty-three (33) claims.

The total claims payments for the policy sample were \$313,190.

SAMPLE FINDINGS:

A. PREMIUMS:

Four (4) inconsistencies were noted in a review of 71 class codes.

Four (4) inconsistencies involved over reports totaling \$7,425 out of \$732,994 reported.

The inconsistencies are as follows:

1. One (1) policy included two (2) class codes, which were omitted from the unit statistical report. The class codes noted were for increased limits and a safety credit.
2. One (1) policy had reduced exposure and premium, which was omitted from the unit statistical report.
3. One (1) policy was cancelled, reducing the exposure and premium, which was not reflected on the unit statistical report.

Corrective Action: The Company has agreed to issue corrected reports to the NCCI as of the final day of the review. The Company is to submit a letter within thirty (30) days of receipt of

the examination report, signed by an officer of the Company, confirming that corrective action was completed.

B. CLAIMS:

Five (5) inconsistencies were noted in a review of 33 claims.

Four (4) inconsistencies involved under reports totaling \$62,097 out of \$313,190 reported.

The inconsistencies are as follows:

1. One (1) claim class code was incorrect on the unit statistical report.
2. Four (4) claims included payments that were not reported timely once they were known.

Corrective Action: The Company utilizes a third party administrator (TPA) for servicing of claims. All claim payments processed by the TPA were not electronically submitted to the Company. Therefore, some claims were omitted from the first report (18 month valuation) of the unit statistical report and were not reported by the Company timely upon being reported to the Company.

This was discussed with the Company's CEO, and agreed that the unit statistical reports would be corrected. Management is working on corrective measures to alleviate the reporting problems with their TPA.

The Company has agreed to issue corrected reports to the NCCI as of the final day of the review. The Company is to submit a letter within thirty (30) days of the receipt of the examination report, signed by an officer of the Company, confirming that corrective action was completed.

CONCLUSIONS:

The review indicates that the inconsistencies fell within generally acceptable margins. Therefore, the Company is adhering to Florida Statutes.

EXAMINATION REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged.

The undersigned examiners conducted the examination and prepared the draft report.

Respectfully submitted,

NORMAN REITMAN COMPANY, INC.

BY: Saul Greenfield, Executive Vice President
Ron Greenfield, Vice President