

**FLORIDA DEPARTMENT  
OF  
FINANCIAL SERVICES**

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

**TARGET MARKET CONDUCT EXAMINATION REPORT**

**OF**

**PACIFIC EMPLOYERS INSURANCE COMPANY**

**AS OF**

**MAY 14, 2004**

**NAIC COMPANY CODE: 22748**

**NAIC GROUP: 0616**

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**EXAMINER: NORMAN REITMAN COMPANY, INC.**

**Filed Date: 09/28/2004**



**TABLE OF CONTENTS**

**PURPOSE AND SCOPE OF EXAMINATION..... 1**

**REVIEW OF UNIT STATISTICAL REPORTS..... 1**

**WORKERS' COMPENSATION ..... 1**

## **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 target market conduct examination of Pacific Employers 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 May 3, 2004 and ended May 14, 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 two hundred sixty-six (266) class codes.

The total written premiums for the policy sample were \$6,153,701.

#### **B. CLAIMS:**

In claims, we looked at two hundred eighty-nine (289) claims.

The total claims payments for the policy sample were \$1,377,435.

### **SAMPLE FINDINGS:**

#### **A. PREMIUMS:**

Fourteen (14) inconsistencies were noted.

The inconsistencies are as follows:

1. Fourteen (14) Unit Statistical Reports were not submitted timely. These errors were due to late submissions. The Company advised that they process Unit Statistical Reports on a monthly basis and, during peak months, not all reports are processed within the month due to the volume of reports.

**Corrective Action:** The Company is pursuing a process with IBM to break down the monthly unit report file into smaller time periods. This will eliminate the volume problem and enable all reports to be processed within the revised time periods. The Company is to provide 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:**

Sixty-six (66) inconsistencies were noted in a review of 289 claims.

Sixty-five (65) inconsistencies involved under reports totaling \$222,776 out of \$1,377,435 reported.

One (1) inconsistency involved over reports totaling \$3,982 out of \$1,377,435 reported.

The inconsistencies are as follows:

1. Forty-seven (47) were due to failure to report claims data to the NCCI.
2. Nineteen (19) were due to the Company reporting incorrect/or incomplete claims data to the NCCI.

All claims inconsistencies involved claims handled by Third Party Administrators (TPA's) where the Company failed to receive data or received incorrect data or incomplete data. TPA's handled one hundred and six (106) of the claims reviewed.

**Corrective Action:**

The Company advised that it has established procedures to ensure accurate data is received from TPA's. The Company is to provide written documentation to the Office of these procedures and confirmation, signed by an officer of the Company, that the procedures have been implemented and the reports corrected.

**CONCLUSIONS:**

The review indicates that the inconsistencies fell beyond generally acceptable margins. Therefore, the Company is not 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: Ron Greenfield, Vice President  
Victor M. Negron, AIE, FLMI, Examiner