FLORIDA DEPARTMENT OF FINANCIAL SERVICES

OFFICE OF INSURANCE REGULATION
BUREAU OF MARKET INVESTIGATIONS

TARGET MARKET CONDUCT EXAMINATION REPORT

OF

ZURICH AMERICAN INSURANCE COMPANY

AS OF

JANUARY 23, 2004

NAIC COMPANY CODE: 16535
NAIC GROUP: 0212

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EXAMINER: NORMAN REITMAN COMPANY, INC.

FILED DATE: 5/24/04

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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 Zurich American 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 January 12, 2004 and ended January 23, 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.

<center><u>**REVIEW OF UNIT STATISTICAL REPORTS**</u></center>

<u>WORKERS' COMPENSATION</u>

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

<u>REPORT REVIEW</u>

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

A. **PREMIUMS:**

In premiums, we looked at two hundred seven (207) class codes.

The total written premiums for the policy sample were $3,786,259.

B. **CLAIMS:**

In claims, we looked at one hundred twenty-three (123) claims.

The total claims payments for the policy sample were $468,979.

<u>SAMPLE FINDINGS:</u>

A. **PREMIUMS:**

Six (6) inconsistencies were noted in a review of 207 class codes.

Four (4) inconsistencies involved under reports totaling $56,577 out of $3,786,259 reported.

One (1) inconsistency involved an over report totaling $118,804 out of $3,786,259 reported.

One (1) inconsistency did not impact the dollars reported.

The inconsistencies are as follows:

1. Five (5) policies' inconsistencies were due to failure by the Company to file an amended report timely, when the audit results were known.
2. One (1) of the policies included above, also contains class codes that could not be verified from the source document to the NCCI unit statistical report.

Corrective Action: The Company has agreed to issue corrected reports and submit them to the NCCI. 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:

   No inconsistencies were noted.

CONCLUSIONS:

The review indicates that the premium 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: Ron Greenfield, Vice President
Eugene Carey, Examiner