

**FLORIDA DEPARTMENT  
OF  
FINANCIAL SERVICES**

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

**TARGET MARKET CONDUCT EXAMINATION REPORT**

**OF**

**CLARENDON NATIONAL INSURANCE COMPANY**

**AS OF**

**APRIL 2, 2004**

**NAIC COMPANY CODE: 20532**

**NAIC GROUP: 0517**

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

**FILED DATE: 5/21/04**



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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 Clarendon National 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 March 17, 2004 and ended April 2, 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 eighty-three (83) class codes.

The total written premiums for the policy sample were \$267,754.

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

In claims, we looked at eight (8) claims.

The total claims payments for the policy sample were \$12,744.

### **SAMPLE FINDINGS:**

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

Twenty-three (23) inconsistencies were noted in a review of 83 class codes.

Nine (9) of the twenty-three (23) inconsistencies involved under reports totaling \$10,170 out of \$267,754 reported.

Thirteen (13) of the twenty-three (23) inconsistencies involved over reports totaling \$28,044 out of \$267,754 reported.

One (1) inconsistency did not involve any difference in dollars.

The inconsistencies are as follows:

1. Ten (10) NCCI Unit Statistical Reports used estimated premiums and exposure amounts, when final audited premiums and exposure amounts were known. The Managing General Agent (MGA) failed to provide the final audit results to the vendor used by the Company for reporting data to the NCCI. This resulted in twenty-three (23) inconsistencies related to exposure and premium amounts.

2. One (1) class code was omitted from a NCCI Unit Statistical Report, but included in the final audit billing report of the insured.

Please be advised that the final audits were completed for the ten (10) NCCI Unit Statistical Reports, but were not submitted by the MGAs to the Company's vendor responsible for processing and submitting the Unit Statistical Reports to the NCCI. Nine (9) out of the ten (10) were from one (1) MGA. The MGA has ceased underwriting business on behalf of the Company.

**Corrective Action:** The Company issued corrected reports and submitted them to the NCCI as of March 31, 2004.

**B. CLAIMS:**

No inconsistencies were noted.

**CONCLUSIONS:**

The review indicates that any inconsistencies noted were not substantive, and 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