

**FLORIDA DEPARTMENT
OF
FINANCIAL SERVICES**

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

TARGET MARKET CONDUCT EXAMINATION REPORT

OF

THE ZENITH INSURANCE COMPANY

AS OF

JANUARY 30, 2004

NAIC COMPANY CODE: 13269

NAIC GROUP: 0336

EXAMINER:

NORMAN REITMAN COMPANY, INC.



FILED DATE: 4/7/04

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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 The Zenith 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 15, 2004 and ended January 30, 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 examined a total of two hundred five (205) class codes.

The total written premiums for the policy sample were \$693,165.

B. CLAIMS:

In claims, we examined a total of twenty-seven (27) claims.

The total claim payments for the policy sample were \$54,001.

SAMPLE FINDINGS:

A. PREMIUMS:

Four (4) inconsistencies were noted in the review of 205 class codes.

Two (2) inconsistencies involved under reporting totaling \$1,345 out of \$693,165 reported.

Two (2) inconsistencies involved over reporting of \$10,111 out of \$693,165 reported.

The inconsistencies are as follows:

1. Two (2) class codes were omitted from the NCCI unit statistical report resulting in incorrect exposures and incorrect premium amounts.
2. One policy includes two (2) inconsistencies due to failure by the Company to file correction reports timely upon receipt of the final audit. They include the exposure amount and premium discount amount.

Corrective Action: 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:

This examination found that the few inconsistencies noted were not substantive and fell within generally acceptable margins. Therefore, the Company is adhering to the applicable 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
Don Osenga, Examiner