

OHIO DEPARTMENT OF INSURANCE

**A
TARGETED
MARKET CONDUCT EXAMINATION
OF
GE MEDICAL PROTECTIVE COMPANY
NAIC #11843**

As of

June 30, 2003





Bob Taft, Governor

Ann Womer Benjamin, Director

2100 Stella Court, Columbus, OH 43215-1067
(614) 644-2658 www.ohioinsurance.gov

Honorable Ann Womer Benjamin
Director
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a target market conduct examination was conducted on the Ohio business of:

GE Medical Protective Company
NAIC Company Code 11843

The examination was conducted at the Company's Home Office located at:

5814 Reed Road, Fort Wayne, Indiana 46835-3568

A report of the examination is enclosed.

Respectfully submitted,

A handwritten signature in cursive script that reads "David R. Beck".

David R. Beck

Chief, Market Conduct Division

Date: 12-2-2004



Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

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SCOPE OF EXAMINATION

The examination of GE Medical Protective Company (the Company) commenced on October 9, 2003, at the Company's home office in Fort Wayne, Indiana. The initial examination of the Company was restricted to the underwriting and marketing of medical malpractice insurance from July 1, 2002, through June 30, 2003. The scope was limited to medical health providers and did not include emergency facilities or hospitals. The Company's 2003-2004 Underwriting Guidelines were also reviewed.

This examination was conducted under the authority provided by section 3901.11 of the Ohio Revised Code (ORC). This examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") and Ohio's applicable statutes, rules, and regulations.

METHODOLOGY

The examination was conducted through a review of the Company's underwriting of new business files, in-force business files, non-renewal files, and cancellation files. A review was also conducted of the Company's corresponding policy and procedure manuals, rate filings, and system manuals. This information was supplemented, as necessary, with written inquiries to the Company requesting clarification and/or additional information.

The initial examination phase included: staff interviews, an overview of practices and procedures, clarifying the data requests, and understanding the Company's terminology and systems. Only files with Ohio insureds, policyholders and provider entities were reviewed. Tests were designed and applied to the files to determine the Company's level of compliance with Ohio insurance laws. These tests are described, and the results are noted in this report. The results of each test applied to a sample are reported separately. Each test is expressed as a "yes/no" question. A "yes" response indicates compliance, and a "no" response indicates failure to comply. In instances where errors were noted, the Examiners submitted a request for information to the Company concerning the apparent error.

SAMPLING

The Examiners requested, and the Company supplied, reports of policy data (new business, applications, renewals, non-renewals, in-force and cancellations) in file formats specified by the Examiners. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. These samples were selected using a standard business database application that provides a true random sample since it supplies a random starting point from which to pull the sample. In some cases, the populations were relatively small. In those instances, the entire population was reviewed.

COMPANY HISTORY

The Company originated in 1899, making the Company the oldest Professional Liability carrier in the United States. The Company began doing business with an emphasis on solo health practitioners. In 1998, the Company was purchased by General Electric and became part of the Employers Reinsurance Company Group.

COMPANY OPERATIONS

The Company is licensed in all fifty states and Washington DC. In the ten years between 1992 and 2002 the Company drastically shifted their method of distribution. In 1992, 100% of the Company sales were written company direct. In contrast, by 2002 80% of new business was the result of independent agent production and only 20% was written Company direct. The Company prefers to insure smaller individual specialists rather than members of associations or provider groups. Recent Company changes included upgrading customer service to an integrated Customer Information Center.

MANAGEMENT

President & CEO: Tim Kenesey

General Counsel: Bill Daley

Associate General Counsel & Chief Compliance Officer: Gerald Ediger

Associate General Counsel: Phil Troyer

Chief Financial Officer: Ed Pike

SVP-Risk Management: Dan Landrigan

Chief Marketing Officer: Robert Dowdy

Regional Marketing Manager-Midwest (OH): Mike Kinzer (Indianapolis)

Chief Actuary: Joel Whitcraft

Actuarial Supervisor-Mideast (OH): Jeff Smith

Chief Underwriter: Mark Walthour

UW Supervisor-Mideast: Jenny Schlosser

SVP-Operations: Tim Smith

Department Operations Leader: Caroline Head

Chief Information Officer: Tim Wiggins

IT Project Manager: Steve Bullers

Sourcing Leader: Don Carlo

SVP-Claims: Bob Ignasiak

HR Leader: Kim Kem

Quality: Randy Walker

CERTIFICATE OF AUTHORITY

The Company operates under a Certificate of Authority issued in accordance with the laws of Ohio. In the course of the examination, the Examiners found the Company to be within the scope of its Certificate of Authority for Ohio.

UNDERWRITING

Methodology

- The Examiners reviewed all Company written policies and procedures that instructed the underwriters and the agents on underwriting procedures and requirements concerning providers. Healthcare facilities were not included in the examination.
- The Company supplied the following data files pertaining to Ohio:
 1. A list of all new business written during the examination period,
 2. A list of all policies cancelled during the examination period,
 3. A list of policies non-renewed during the examination period,
 4. A list of applications submitted during the examination period, and
 5. A list of policies active/in-force as of the last day of the exam period.

Underwriting Considerations

- A policy may have one or multiple insureds.
- Each list is reviewed as an entire population.
- Insured policy numbers are permanent. If a particular insured leaves the company for a period of time and is later rewritten, the previous, permanent policy number would be used.
- Each list is divided into the unique territories provided by the Company. The Company had two territories in the state of Ohio for this examination period. Territory “1” consisted of Cuyahoga and Lorain counties. Territory “2” was comprised of the remaining 86 Ohio counties.

APPLICATIONS

Standard: Company rules pertaining to underwriting requirements regarding applications are in compliance with applicable statutes, rules, and regulations. ORC 3937.03 requires, in part, that every insurer file every form of a policy, endorsement, rider, manual of classifications, rules, and rates, every rating plan, and every modification of any of them, which the insurer proposes to use.

Test: Did the Company adhere to their underwriting guidelines in applying the rates and rules filed with the Department?

Findings:

	Population	Yes	No
Territory 1	1280	50	0
Territory 2	7100	50	0

NEW BUSINESS

Standard: Company rules pertaining to rating, credits/debits, scheduled modifications, documentation for modifications, and rating for modification for multiple locations are in compliance with applicable statutes, rules, and regulations. ORC 3937.03 requires, in part, that every insurer file every form of a policy, endorsement, rider, manual of classifications, rules, rates, every rating plan, and every modification of any of them, which the insurer proposes to use.

Test: Did the Company correctly calculate the premiums in accordance with the rates, credits/debits, and scheduled modifications on file with the Department?

Findings:

	Population	Yes	No
Territory 1	223	50	0
Territory 2	1297	50	0

IN-FORCE BUSINESS

Standard: Were Company rules pertaining to the underwriting requirements of in-force policies in compliance with applicable statutes, rules, and regulations?

Test: Did the Company adhere to the requirements of their underwriting guidelines and the rates and rules filed with the Department?

Findings:

	Population	Yes	No
Territory 1	1223	50	0
Territory 2	6376	100	0

CANCELLATIONS

Standard: Cancellations comply with policy provisions, statutes, rules, and regulations. Specifically, ORC 3937.25(C) states, in part, that no less than 30 days notice must be given when a policy is being cancelled for a reason other than non-payment of premium if that policy has been in effect for more than ninety days. If a policy is cancelled for non-payment of premium, the notice requirement is ten days.

Test: Did the Company comply with the cancellation requirements of ORC 3937.25(c)?

Findings:

	Population	Yes	No
Territory 1	109	50	0
Territory 2	276	50	0

NON-RENEWALS

Standard: Company rules pertaining to non-renewal notices are in compliance with an Ohio Department of Insurance (“Department”) memorandum, applicable statutes, rules and regulations, including ORC 3937.26.

Test: Did the Company provide 60 days notice when non-renewing a policy?

Findings:

	Population	Yes	No
Territory 1	57	50	0
Territory 2	790	50	0

Note: On August 16, 2002, the Department asked medical malpractice insurers to provide additional notice when a policy is not going to be renewed. This memorandum was issued as a result of deteriorating market conditions. In response, the Company agreed to provide 60 days notice to its insureds prior to non-renewal.

EXAMINERS OBSERVATIONS AND RECOMMENDATIONS

Nursing Home Exposure

As part of this examination, the Examiners reviewed Nursing Home Exposures for physicians and surgeons. As a general guideline, the Company writes and renews private practice physicians who continue to follow their established patients when their patients move to a nursing home or other long-term healthcare facility. The Company is primarily a physician insurer, so they generally will not write healthcare facilities or doctors with healthcare facility exposure. For instance, a doctor serving as a Medical Director for a long-term care facility will not be eligible for coverage in the Company’s physicians and surgeons programs.

Statistical Agents

The Company reports loss data to a Department designated statistical agent as required by ORC 3937.12.

Additional Information

A mandatory request for additional information, beyond the specified examination period, was sent to the Company. This data request pertained to underwriting guidelines, non-renewals, cancellations and quotes given and accepted for the months of October 2003 through February 2004. The requested information was provided by the Company and reviewed by the Examiners. The Examiners concluded that the Company was following its underwriting guidelines.

Rates

For the examination period, the Company had three base rate changes and two increased limit factors (ILF) changes. Five sets of rates were in effect during the examination period. The rate changes were effective July 1, 2002, October 1, 2002, January 1, 2003, May 1, 2003, and June 1, 2003. Application of each of these rate changes was accurately implemented on the company's effective date with one exception. The ILF change that was effective October 1, 2002 also impacted the Physicians and Surgeons Partnership or Corporation Coverage rule. The Company, however, did not file a revised Partnership or Corporation rule, with premium cap amounts that included the revised ILFs, with the Department.

Recommendation:

The Examiners recommend that the Company implement procedures to assure that all rates, rules and forms being used have been properly filed with the Department.

File Documentation

In several instances, there were no notice generation dates, mailing dates, or postmarks on any Endorsement Notices or Tracers. Several files that were reviewed did not contain a Request to Cancel Notice or a Cancellation Letter. The use of risk modifications (schedule rating) and/or individual risk rating plans was not consistently documented in the policy files. It was not clear

from the information in the file, why schedule rating was not used or why certain debits and/or credits were applied.

Recommendation:

The Examiners recommend that the Company date-stamp all Endorsement Notices and Tracers. The Examiners also recommend that the Company implement procedures to assure all policy change information is contained in the files.

The Examiners recommend that the Company develop procedures, forms and internal controls to insure that consistent file documentation is used to document the underwriting process and application of risk modifications (schedule rating) and/or individual risk rating plans are in compliance with ORC 3937.03 (E), OAC 3901-1-22, and Bulletin 2000-3.

CONCLUSION

This concludes the report of Examination by the Market Conduct Division of the GE Medical Protective Company. The Examiners, Rodney Beetch, Stan Garlington, Roger Hinkle, Robert Kelley, Angela Dingus, and Cheryl Davis would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

Rodney E Beetch
Rodney E Beetch
Examiner in Charge

12-2-04
Date