



JAMES H. "JIM" BROWN  
COMMISSIONER OF INSURANCE  
STATE OF LOUISIANA

P.O. Box 94214  
BATON ROUGE, LOUISIANA 70804-9214  
PHONE (225) 342-5900  
FAX (225) 342-3078  
<http://www.idi.state.la.us>

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

December 6, 2000

Mr. Bryan David Poirrier  
Louisiana Workers Compensation Corporation  
2237 S. Acadian Thruway  
Suite 400  
Baton Rouge, LA 70808

Re: Market Conduct Examination Report  
Our File #: MCD-00-018  
NAIC #: 22350

Dear Mr. Poirrier:

Enclosed is a copy of the adopted Examination Report of your Company. This report is now a public document.

Should you have any questions, please feel free to contact me at (225) 342-9173.

Sincerely,

A handwritten signature in cursive script that reads "Larry Hawkins".

Larry Hawkins  
Assistant Director  
Market Conduct Division  
Office of Financial Solvency

LDH: me

Attachment



JAMES H. "JIM" BROWN  
COMMISSIONER OF INSURANCE  
STATE OF LOUISIANA

P.O. Box 94214  
BATON ROUGE, LOUISIANA 70804-9214  
PHONE (225) 342-5900  
FAX (225) 342-3078  
<http://www.widi.la.state.la.us>

October 4, 2000

Honorable James H. Brown  
Commissioner of Insurance  
P O Box 94214  
Baton Rouge, Louisiana 70804-9214

Sir:

Pursuant to statutory provisions and in compliance with your instructions, a limited market conduct examination has been made of the affairs of the

*Louisiana Workers' Compensation Corporation*

*2237 S. Acadian Thruway, Suite 400*

*Baton Rouge, Louisiana 70808*

as of December 31, 1999 and the report of examination is herewith submitted.

## ***FOREWORD***

A market conduct examination was performed of the activities of Louisiana Workers' Compensation Corporation from January 1, 1995 through December 31, 1999.

The market conduct examination is, in general, a report by exception. This means that references in the examination report to procedures and/or files subject to review may be omitted if no improprieties or errors were noted. Unless otherwise stated, the NAIC Market Conduct Examiners' Handbook, Volume II was used as a measure of compliance.

## **PURPOSE AND SCOPE OF MARKET CONDUCT EXAMINATION**

The market conduct examination of Louisiana Workers' Compensation Corporation, hereinafter referred to as ("LWCC") or ("Company"), was a routine market conduct examination conducted in conjunction with the financial examination with both being authorized by the Louisiana Department of Insurance.

The examination included, but was not limited to, the following areas of the Company's operation:

- Company Overview,
- Complaint and Grievance Review,
- Producer Review,
- Marketing and Sales Review,
- Underwriting and Rating Review, and
- Claims Review.

The purpose of this examination was to review compliance by the Company with Louisiana Insurance Laws and Regulations and the National Association of Insurance Commissioners ("NAIC") Guidelines. The NAIC Guidelines set the standards of conduct for a property and casualty insurer and promote a program of fair treatment of policyholders.

## **COMPANY OVERVIEW**

### ***Company History***

LWCC is a private insurance company established by legislative approval of Act 814 of the 1991 Regular Session of the State of Louisiana Legislature. The main statutes governing LWCC are LRS 23:1391 through 1415. In addition, the Corporation is subject to all applicable laws of the Louisiana Insurance Code (Title 22) relative to an incorporated domestic mutual insurer, except as otherwise specifically provided by Title 23, Part VI. If a conflict arises in the application of the law, the provisions of Part VI of Title 23 govern first, followed by the Louisiana Insurance Code (Title 22), and finally, by the provisions of Title 12 (relative to non-profit business corporations) of the Louisiana Revised Statutes of 1950.

### ***Territory and Plan of Operations***

The Company markets worker's compensation business in the state of Louisiana. The Company was established by Legislative Act and is not required to obtain a certificate of authority from the Commissioner of Insurance. The Company is authorized to write worker's compensation insurance that includes employer's liability and coverage under the USL&H Worker's Compensation Act. It may also provide Jones Act coverage when such coverage is incidental to the issuance of a policy of Louisiana worker's compensation insurance or United States Longshore and Harbor Worker's Compensation Act Insurance, provided that such coverage shall not exceed \$25,000 in the aggregate.

On September 6, 1996, the Company formed a nonprofit subsidiary, LWCC Multi-State Facility Agency, Inc. ("Agency") without capital infusion. The Agency functions as an insurance agency which facilitates the solicitation and negotiation of insurance policies with Louisiana employers with exposures outside of the state of Louisiana as authorized by LRS 23:1393A(2). Insurance policies with non-Louisiana exposures are placed with a national insurance company that pays a commission to the Agency.

#### *Antifraud Policy*

LRS 23:1410 and LRS 23:1411 require the Company to establish a fraud division to investigate and take any actions to remedy and prevent employer or employee fraud regarding worker's compensation. During the examination, the Company provided fraud reports for 1998 and 1999 that detailed its fraud submissions for criminal prosecution for violations of Insurance Fraud and Workers' Compensation Fraud statutes.

LRS 23:1410 also requires the Company to file an annual report of its fraud activity along with its annual statement filing to the Louisiana Department of Insurance. However, through oversight these fraud reports were not filed for 1998 and 1999. During the course of this examination, the Company filed these reports with the Department.

#### *Certificate of Authority*

In accordance with LRS 23:1393A(4), the Company is not required to obtain a certificate of insurance from the commissioner of insurance.

### *Comments and Recommendations from Previous Reports*

There were no comments or recommendations relating to market conduct activities in the previous financial report conducted by the Louisiana Department of Insurance.

### *Affiliated Companies*

The Company formed a subsidiary, LWCC Multi-State Facility Agency, Inc., on September 6, 1996. This subsidiary functions as an insurance agency which facilitates the solicitation and negotiation of insurance policies with Louisiana employers with exposures outside of the state of Louisiana as authorized by LRS 23:1393A(2).

## **COMPLAINT REVIEW**

Louisiana Revised Statute 22:1214(17) states "complaint" shall mean *any written communication primarily expressing a grievance received by the insurer from the Department of Insurance.*

All complaints filed with the Department between 1997 and 1999 were reviewed and generally consist of complaints due to the insured's misunderstanding of the policy provisions, delays in handling insured's requests, delays in claim payments or dissatisfaction with the insurer's claims practices.

The Company's complaint register was reviewed and compared to the Department's listing of complaints. The Company's complaint register did not contain

disposition of the complaint as required by statute. During the course of the examination the Company revised its register to comply with LSA-R.S. 22:1214(17).

### ***PRODUCER REVIEW***

The Company's agent listing as of August 23, 2000, contained approximately 1,450 active agents. The Company's list of agents was compared to the Department's agent records to determine if all agents have been properly licensed. One agency's license had expired on 5/1/1999, however this agency did not write any new business during 1999. This agency is currently in the process of having a new license approved.

Files on agents that have been terminated for cause were requested and reviewed. No discrepancies were found.

A sample of 10 agent files were requested and reviewed for completeness. It was found that 9 out of 10 files did not contain a copy of the agent's license as required by the Company's procedure. According to the Company's procedures any agent who wishes to write insurance with LWCC must provide a completed and signed Agency Application, a signed Agency Agreement, a copy of E&O coverage or Certificate of Insurance and a copy of their Louisiana Resident License. During the course of the examination, the Company stated that they would begin requiring a copy of the agent's Louisiana Resident License.

## **MARKETING AND SALES REVIEW**

The Company advertises through radio, television, and newspaper advertisements. The advertisements state that the Company has lowered accident rates, cut insurance pricing, and helped to improve employee benefits.

Agents are sent brochures that provide informational updates, procedural changes, and a limited amount of advertising. An agent manual is given to each agent containing information on underwriting, payment options, rating, and the policy forms to be used. The manual is updated as needed with current revisions.

The Company has an internet web site which provides agents access to agency experience reports, pending cancellations, upcoming renewals, policyholder invoices, declaration pages, current rates, and claims detail reports. Policyholders can access their invoices, claims reports, and the OMNET provider directory. The public can access other areas of the web site that contain general information about the company, its features and benefits, a limited amount of advertising, and an agent directory.

This review was performed without exception.

## **UNDERWRITING AND RATING REVIEW**

A random sampling of 20 new business cases revealed that the underwriting department processed applications and generated new policies for mailing in approximately 18 days.

Six applications out of the sample of 20 did not have the proper signatures per the Company's procedures. Two applications were not submitted on Acord application

forms as required by the Company's procedures. The policy forms used in the sampling were checked against the Department's list of approved forms. No exceptions were detected.

All rates had been approved by the Company's board of directors in accordance with the requirement of R.S. 23:1411(E). Rates charged to individual applications were verified without exception.

### **CLAIMS REVIEW**

The claim department consists of 65 employees that are made up of 40 claim representatives, 9 registered nurses, 15 clerical and one Rehabilitation Service Coordinator. There are 33 claim representatives in Baton Rouge, 5 in Metairie and 2 in Shreveport, Louisiana. The claim force is divided into 6 claim teams that include 1 registered nurse on each team.

The Company created Occupational Medicine Network ("OMNET") that consists of more than 2,000 healthcare providers available to provide medical assistance to its policyholders' employees because of work related injuries. Also, OMNET pharmacies provide prescription drugs. LWCC provides a directory of healthcare providers to its members along with an *Injury Reporting Quick Kit*. An OMNET Hotline and a website [www.lwcc.com](http://www.lwcc.com) are available for healthcare provider information, in addition, the website provides claims information to policyholders.

A random sampling of 25 workers' compensation claims from open and closed claims was selected from 1997, 1998 and 1999. This sampling indicated that the Company paid claims on a timely basis. No exceptions were noted during this review.

## COMMENTS AND RECOMMENDATIONS

The Company is not required to maintain appointments with its agents as a result of the following statutes.

R.S. 23:1407(A) states in part as follows:

**“Any insurance agent licensed to sell workers’ compensation in this state shall be authorized to sell insurance policies for the corporation in compliance with the bylaws adopted by the corporation and R. S. 22:1113(A)(3)...”**

R.S. 22:1113(A)(3) states in part as follows:

**“No insurance agent shall place a policy of insurance with any insurer that he does not maintain an appointment as an insurance agent under this Section, except for surplus lines policies placed through licensed surplus brokers and workers’ compensation policies placed with the Louisiana Workers’ Compensation Corporation...”**

Consequently, it is extremely important that the Company follow its established procedures in obtaining a copy of the agent’s license in order to determine the agent’s qualifications before the acceptance of any workers’ compensation insurance application. See PRODUCER REVIEW, page 7.

It is also recommend that the Company follow its established procedures in verifying that the applications for coverage are on the required form and properly signed by both applicant and agent. See UNDERWRITING AND RATING REVIEW, page 8.

## **CONCLUSION**

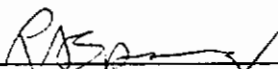
I, Richard A. Spong, do solemnly swear and affirm that I am an examiner for the Commissioner of Insurance of the State of Louisiana and that as such I was assigned to conduct an examination of the market conduct activities of

**LOUISIANA WORKERS' COMPENSATION CORPORATION  
BATON ROUGE, LOUISIANA**

That I made such examination and the above and foregoing is a true and correct copy of my report of such company and the same is true and correct to the best of my knowledge, information and belief.

Richard S. Robison, Louisiana Insurance Compliance Examiner, also participated in this examination and joins the undersigned in acknowledging the courteous cooperation of the Company's Officers and Employees.

Respectfully submitted,

  
\_\_\_\_\_  
**Richard A. Spong, CIE, CFE**  
Louisiana Department of Insurance