



## OFFICE OF INSURANCE REGULATION

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COMMISSIONER

January 31, 2008

Mr. Kevin M. McCarty  
Commissioner of Insurance  
Office of Insurance Regulation  
J. Edwin Larson Building, Suite 101  
200 East Gaines Street  
Tallahassee, FL 32399

Re: Follow Up in the case of Auditor General Report No. 2007-0086 – Operational Audit of Office of Insurance Regulation Professional Liability Claims System (PLCR) –dated January 24, 2007

Dear Commissioner McCarty:

Follow up activities related to the Operational Audit referenced above have been pursued by the Office of Insurance Regulation (Office) and is being reported in this instance in accordance with Section 20.055(5)(g), Florida Statutes.

This follow up was scheduled to be completed on or about July 24, 2007; however, a number of circumstances were encountered with respect to the PLCR System and closed claims that indicated that the follow up should be delayed until such time that more meaningful follow up information could be provided.

- During August 2007, oversight and maintenance of the PLCR System and closed claims were transferred from the Property and Casualty Product Review business unit to the Market Research Unit (MRU) within the Market Research and Technology Management (MRTM) business unit. Activities that are performed by the MRU include, but may not be limited to, PLCR and closed claims data collection, standardized and ad hoc reporting, data analysis, data verification and validation, data transfers and MRU related rule making as required.
- Since transfer of the PLCR System and closed claims to the MRU in August 2007 the MRU staff has been engaged in in-depth review and analysis of various aspects of the PLCR System and closed claims. Review and analysis have revealed the areas of interest and corrective actions that are briefly described below.

- The number of entities that are authorized to market and sell medical malpractice insurance in the State of Florida, and thus the number of entities that are required to report to the Office, is much larger than was originally thought. In this regard, the MRU staff indicated on January 25, 2008, that the number of such entities may be as large as 285.
- The MRU staff also indicated on January 25, 2008, that the number of insurance and insurance related entities that are authorized to market and sell liability insurance in the State of Florida may be as large as 730, including insurance covering lawyer malpractice and insurance covering errors and omissions on the part of companies' directors and officers. A significant number of these entities may be required to report to the Office.
- The MRU staff has indicated that actions have been initiated to resolve issues associated with PLCR System functionality and closed claims data integrity. These actions have includes, but have not been limited to:
  - Identifying missing data that must be entered into the PLCR System;
  - Correcting erroneous data that have previously been entered into the PLCR System;
  - Ensuring that demand fields associated with the PLCR System are identified and filled;
  - Adding PLCR System functionality to permit business system users within the Office to update tables within the PLCR System;
  - Identifying and correcting reporting inconsistencies within the PLCR System;
  - Identifying entities that have not satisfied established claims filing requirements;
  - Adding PLCR System functionality to allow review of claims data that have previously been submitted;
  - Adding PLCR System functionality to inactivate original, erroneous data that have been previously submitted and to allow resubmission of corrected data;
  - Adding PLCR System functionality to allow self insurance entities to submit claims data if required;
  - Enhancing PLCR System data collection to include only data that are required by statute;

- Enhancing PLCR System functionality to assure that data integrity is achieved and maintained by application of appropriate editing criteria, including data validation editing criteria and relational editing criteria;
  - Enhancing PLCR System functionality to assure that additional defendants can be added, as required;
  - Enhancing PLCR System functionality with respect to internal and external search capabilities and application of appropriate system access and data security controls.
- The MRU staff has initiated action to identify approaches to be employed to educate claim submitters with respect to the occupations that are associated with the PLCR System, for example, use of Information Memoranda and MRU-directed training programs for this purpose.
  - The MRU staff has initiated action to identify those functions within PLCR which are not needed.
  - *A Professional Liability Claims Reporting Instruction Manual* was updated in January 2007 to provide updated step by step instructions for handling closed claims. This manual will require additional updates in the future to reflect system enhancements that are discussed above.
  - PLCR System users are responsible for reviewing newly submitted claims and to alert submitters immediately of any claims data that appears to be inaccurate.
  - Records are maintained of all correspondence with companies regarding attempts to resolve data inaccuracies and incomplete or inaccurate reporting.
  - Late filings are reported to management each quarter for determination of whether to refer them to Legal Services for action. Similarly, non-filing entities are reported to management on an annual basis for a determination of whether to refer them to Legal Services for action.
  - Claims submitted for hospitals licensed under Chapter 395, Florida Statutes, are reported to the Agency for Healthcare Administration pursuant to Section 627.912, Florida Statutes. The Department of Health is linked to the PLCR System in order to have access to claims that are submitted by those health care professionals that are licensed by that agency.
  - PLCR System issues are logged and tracked in a system that permits submitters to report problems or errors that are encountered during submission of claims data. Similarly, system users within the Office may also report problems or errors that are

encountered while using the system. System related problems and errors may be referred to the Office's Technology Steering Committee for evaluation, prioritization and appropriate action.

- The Office continues to develop draft revisions to Rule 69O-171.003, Florida Administrative Codes – "Reports by Insurers of Professional Liability Claims and Actions Required" – to satisfy statutory requirements.

In summary, the PLCR System and closed claims data have been subjected to in-depth review and analysis over the past several months and progress has been made, and continues to be made, with regard to improving the completeness and accuracy of data associated with the PLCR System and reporting associated with professional liability claims.

Please let me know if you have any questions regarding this matter.

Sincerely,

  
A. E. Callahan, CIG, CIA, CISA, CFE, PAHM, FAHM

AEC:aec

Copy to:

Joint Legislative Auditing Committee  
404 South Monroe Street  
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