

Report of the
Multistate Targeted Market Conduct Examination

for the

Delaware Department of Insurance
Florida Office of Insurance Regulation
Indiana Department of Insurance
Massachusetts Division of Insurance
Minnesota Department of Commerce
New York State Department of Financial Services
Pennsylvania Insurance Department
Rhode Island Department of Business Regulation

and

Other Participating Jurisdictions:

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Vermont, Washington, West Virginia, Wisconsin and Wyoming

of

American International Group, Inc.

175 Water Street
New York, New York 10038
NAIC Group # 0012

AIU Insurance Company NAIC #19399
American Home Assurance Company NAIC #19380
AIG Assurance Company NAIC #40258
AIG Property Casualty Company NAIC #19402
Commerce and Industry Insurance Company NAIC #19410
Granite State Insurance Company NAIC #23809
Illinois National Insurance Co. NAIC #23817
National Union Fire Insurance Company of Pittsburgh, Pa. NAIC #19445
New Hampshire Insurance Company NAIC #23841
The Insurance Company of the State of Pennsylvania NAIC #19429

April 24, 2017

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April 24, 2017

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Dear Commissioner Navarro, Commissioner Altmaier, Commissioner Robertson, Commissioner Anderson, Commissioner Rothman, Superintendent Vullo, Commissioner Miller and Superintendent Dwyer:

Pursuant to the authority granted by DEL. CODE, tit. 18, § 318, FLA. STAT. ANN. § 624.316, IND. CODE § 27-1-3.1-8, MASS. GEN. LAWS c. 175, § 4, MINN. STAT. ANN. § 60A.031, N.Y. INS. LAW § 309, 40 PA. CONS. STAT. § 323.3, and R.I. GEN. LAWS § 37-13.1-3 (the “Examination Statutes”), and in accordance with the *NAIC Market Regulation Handbook* (2008 ed.)

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(“*Handbook*”) and your instructions, a multistate targeted market conduct examination has been conducted of the writing and financial reporting of workers compensation insurance by:

American International Group, Inc.
and its affiliated companies
(collectively, “AIG” or the “Company”)

The report of examination is herewith respectfully submitted.

Foreword

This report on the multistate targeted market conduct examination of AIG is provided pursuant to the *Handbook* and is made by both exception and by test.

The Company was informed on January 28, 2008 that a multistate targeted market conduct examination had been called respecting the Company’s writing and financial reporting of workers compensation insurance (“Examination”). The Lead States in the Examination are Delaware, Florida, Indiana, Massachusetts, Minnesota, New York, Pennsylvania, and Rhode Island (“Lead States”). The remaining forty-two states and the District of Columbia are Participating States in the Examination (as defined in the *Handbook*) (“Participating States”).¹ The Examination was conducted under the authority of the Examination Statutes and similar statutes in the Participating States with the principal work performed by attorneys from Rackemann, Sawyer & Brewster, P.C., and actuaries from Merlinos & Associates, Inc.

On December 20, 2010, the examiners submitted a report to the Lead States presenting their findings regarding the Company’s writing and financial reporting of workers compensation insurance during the period prior to 1996 (the “Legacy Period Review”). Concerns raised in the Legacy Period Review were addressed in a Regulatory Settlement Agreement dated

¹ The roles of Lead State and Participating States are defined at pages 74-75 and 78-79 of the *Handbook*.

December 17, 2010 (“RSA”) which was ultimately adopted by all fifty States and the District of Columbia.² The RSA required the Company to participate in a two-year monitoring period, enter into a “Compliance Plan”, and successfully complete a follow-up examination (the “Compliance Plan Examination”).³ See RSA ¶ E; RSA Ex. E. This report presents the findings of the Compliance Plan Examination and finishes the work of the Examination.

Profile of the Companies

American International Group, Inc. is the parent company in an insurance holding company system which includes insurance companies and other entities doing business in all fifty States and the District of Columbia. The parent company is a publicly traded company. Workers compensation, general liability, and commercial automobile are among the lines of insurance that members of the AIG holding company system are authorized to write. The Company operates its U.S. property-casualty insurance business principally through Divisions, and management of these entities is integrated at the holding company level.

Findings in the Legacy Period Review and the Monitoring Period

The Examination was called in response to a 2005 investigation by the New York Attorney General (initially relating to other topics) during which concerns relating to the Company’s practices in the writing and reporting of workers compensation insurance arose. The New York Attorney General and Superintendent of Insurance investigated those issues, which

² The RSA’s final effective date was conditioned upon adoption by a sufficient number of jurisdictions. Due to the interrelatedness of the issues involved, the final effective date was also conditioned upon court approval of a settlement agreement with residual market participants and achievement of settlement with various guaranty funds. Protracted litigation regarding the residual market settlement delayed the RSA’s final effective date until May 29, 2012.

³ The *Handbook* contemplates multiple types of examinations including initial examinations, subsequent examinations, and re-examinations. See *id.* at pg. 120. Though similar in form and purpose to a re-examination, the Compliance Plan Examination was conducted under authority of the January 28, 2008, examination warrant and is not, therefore, referenced as a re-examination. The Legacy Period Review, the monitoring period, and the Compliance Plan Examination are components of the larger Examination.

then gave rise to a number of additional individual state examinations. The Market Analysis Working Group of the National Association of Insurance Commissioners then unanimously endorsed the commencement of the Examination.

Results of the Legacy Period Review were presented in an examination report dated December 20, 2010. That report included findings in the three principal areas of investigation: compliance with the rating laws, compliance with statutes governing the use of filed forms, and the financial reporting of premium by line of business and state. In all three areas, the Legacy Period Review found material violations. The RSA addressed these violations through the Company's agreement to:

- File amended financial reports (restated Annual Statement Page 14s) reallocating \$2.12 billion of premium from the general liability and commercial automobile lines of business to workers compensation (RSA ¶ D.1);
- Pay \$46.5 million in associated taxes (RSA ¶ D.2);
- Pay a \$100 million fine (RSA ¶ C.1); and,
- Complete the Compliance Plan, including:
 - Participate in the two-year monitoring period (RSA ¶ E.1), and
 - Complete the Compliance Plan Examination (RSA ¶ E.2).

If the Compliance Plan Examination revealed material noncompliance, the RSA called for a contingent penalty of up to \$150 million. RSA ¶¶ F.1 to F.4.

The Final Effective Date under the RSA was achieved on May 29, 2012. See Note 2, *supra* at p. 3. The monitoring period therefore began on that date and continued through May 29, 2014. The purpose of the monitoring period was to establish an ongoing dialogue between the Company and the Lead States regarding compliance with the writing and financial reporting of workers compensation premium and, through such dialogue, to identify and address areas of potential concern in the Company's current operations. Secondary purposes of the monitoring

period included the development of familiarity with AIG's post-legacy period practices and establishment of procedures for conducting the Compliance Plan Examination.

There were three major areas of effort in the monitoring period: i) a review of the Company's systems and procedures for writing and allocating workers compensation premium; ii) sampling of individual accounts written by the Company in policy years 2011 and 2012; and, iii) engagement with the Company regarding its internal compliance efforts. Review of Company systems and procedures was accomplished through the exchange of numerous memoranda describing the design and operation of AIG's relevant IT systems and business processes. These memoranda were supported by on-site meetings with the relevant Company employees. In parallel with this discussion, the examiners also conducted a pilot sample and four subsequent rounds of sampling to develop a detailed understanding of AIG's operations and identify any areas of concern. Throughout this process, AIG presented regular reports regarding internal audit efforts and self-reported any issues discovered.

The examiners' review during the monitoring period provided strong evidence that the Company was not engaging in the sort of intentional, systemic violations of the insurance laws observed during the Legacy Period Review. The examiners did, however, identify a number of areas of concern including:

- AIG's use in some jurisdictions of an unfiled endorsement on large loss-sensitive workers compensation policies;
- Miscommunication between Company systems causing the miscalculation of surcharges;
- Allocation of some categories of workers compensation premium at audit; and,
- Completion of schedule rating worksheets in some jurisdictions.

The Company developed corrective action plans to address each of these issues. Those corrective action plans resolved the Lead States' concerns and have been completed to the Lead

States' satisfaction. These plans included, among other things, a surcharge remediation program in which AIG returned more than \$120 million to policyholders and remitted more than \$21 million to surcharging entities.

AIG fully and proactively cooperated with the Lead States during the monitoring period. The Company responded to all examiner questions, addressed the regulatory concerns raised, and engaged in constructive dialogue. Following the monitoring period, the examiners had established the familiarity with AIG's systems, operations, and procedures necessary for the Compliance Plan Examination. The monitoring period was therefore successful.

Compliance Plan Examination Purpose, Scope, and Structure

The purpose of the Compliance Plan Examination was to evaluate the Company's implementation of the Compliance Plan (RSA ¶ E.2), and its scope included review of at least 150 randomly selected workers compensation accounts having an effective date within twelve months of the end of the monitoring period (in the event, May 29, 2013, through May 29, 2014).⁴ Under the Compliance Plan, the sampled accounts were to be reviewed in three categories to verify that:

- | | |
|--------------|------------------------------------------------------------------------------------------------------------------------|
| Category I | Each workers compensation program was rated consistent with filed and approved (or otherwise authorized) rating plans; |
| Category II | Any policy form or endorsement used in the account to calculate premium was filed and (if necessary) approved; and, |
| Category III | The premium developed for workers compensation was properly booked and timely reported by line of business and state. |

The Compliance Plan included detailed provisions defining the circumstances in which an exception would be counted in each category.

⁴ The term "account" references the entirety of AIG's relationship with a particular insured (i.e. including all workers compensation, general liability, commercial automobile liability, and excess policies as well as reinsurance contracts and other agreements). A single "account", therefore, may include multiple insurance policies.

Building on experience gained in the monitoring period, the examiners developed a sampling plan and discussed it with the Lead States and the Company. Applying that plan to AIG's population data resulted in selection of a 166 account sample.⁵ These accounts were drawn from all AIG operating units writing workers compensation premium, included more than 25,000 workers compensation insurance policies, and accounted for more than 20% of the Company's book of business. The examiners circulated the list of sampled accounts to AIG on September 22, 2014, and the Company began production on a rolling basis shortly thereafter.⁶

As the examiners reviewed sampled accounts, they periodically submitted sets of questions to the Company seeking clarification, comment, or additional information. None of the fifty-seven questions submitted are currently outstanding and, in all cases, AIG ultimately presented research, analysis, or information that sufficiently addressed the issue.

Examination Results

Results of the account-level review completed in the Compliance Plan Examination are presented in the "Scorecard" attached as Exhibit A. The Scorecard shows each account (by control number) and identifies whether an exception was noted in Category I, Category II, or

⁵ The Compliance Plan contemplates review of "at least" 150 randomly selected accounts. The Compliance Plan also requires that the sample be proportionate to AIG's overall mix of business by type (guaranteed cost and loss-sensitive) and by Division (AIG operating unit). Random selection, however, will not necessarily produce proportionate results. To resolve this tension, the sampling plan called for two-step selection in which an initial sample of 150 accounts was compared with predetermined variance limits and supplemental random selections made from underrepresented types and Divisions until variance limits were satisfied. In the event, sixteen supplemental selections were needed to achieve acceptable proportionality, producing a total sample of 166 accounts.

⁶ Premium on a workers compensation insurance policy is typically subject to adjustment after the policy period ends. For guaranteed cost policies, determination of final premium occurs at "payroll audit", often 3 to 6 months after the end of the policy period. For loss-sensitive policies (e.g. those that are retrospectively rated), premium is annually adjusted as losses develop. Loss adjustment can continue for decades but the first (and typically most consequential) adjustment generally occurs 6 to 12 months after the policy period ends, with some complex contracts requiring longer periods. The contracts reviewed in the Compliance Plan Examination generally had expiration dates from May 2014 to May 2015. Payroll audit and loss adjustment on many sampled contracts did not, therefore, occur until mid-2016. AIG produced records to the examiners as they became available.

Category III.⁷ The Scorecard shows that the final result of the Compliance Plan Examination was an average category error rate of 3.8%. Detailed findings for each category are as follows:

Category I (Rates). The examiners reviewed all 166 sampled accounts (and their thousands of constituent insurance policies) in each category. They noted a Category I exception where the workers compensation program was not rated materially consistent with the Company's filed and approved or otherwise authorized rating plans and such rating error was not corrected prior to the commencement of the Compliance Plan Examination. The examiners identified three accounts with potential rating errors. These errors included:

- Two "captive" accounts.⁸ In one instance, an experience modification factor appears to have been omitted. In another instance, the examiners could not replicate or verify the calculation of certain premium credits.
- One instance in which an underwriter manually adjusted the premium discount factor beyond the range permitted by filed rates. The Company has modified its systems to prevent such manual adjustment in future.

The examiners note that rating errors occurred infrequently and were concentrated in complex accounts handled by specialized departments. Review for rate errors did not, therefore, raise significant concerns regarding the Company's overall practices and procedures. The three exceptions noted by the examiners produced a Category I error rate of 1.8%.

Category II (Forms). The examiners counted a Category II exception where any material policy form related to the method of calculating premium that was required to have been filed

⁷ The examiners did not count an exception if an issue was the subject of a corrective action plan developed during the monitoring period and the examiners could verify that the plan had been successfully implemented by the Company. The examiners tracked these issues and discussed them with the Lead States throughout the Compliance Plan Examination.

⁸ In a "captive" account, AIG issues a number of guaranteed cost insurance policies covering a large number of unrelated employers that have been recruited and organized by a third-party captive reinsurer. AIG then cedes a portion of the associated risk on these policies (sampled accounts had between sixteen and 234 associated workers compensation policies) to the captive reinsurer. The large and fluctuating membership in these groups presents significant administrative challenges.

and/or approved was not filed and/or approved. In the forms review, the examiners identified seven accounts where an improper form appears to have been used. The examiners discussed the accounts with the Company and established that five errors arose from two underlying mistakes:

- A revised large deductible endorsement was approved for New Hampshire policies effective June 7, 2013. The Company's policy issuance systems did not re-issue forms for accounts that were "in process" (i.e. quoted but not yet bound) as of that date. New Hampshire policies on affected accounts received the superseded version of the endorsement.
- A revised large deductible form was approved in Georgia effective June 14, 2013. The effective date entered in the Company's policy issuance system, however, was August 1, 2013. Georgia policies issued with large deductibles in the intervening period received the superseded version of the endorsement.

This sort of error (inadvertent and isolated use of a superseded policy form) is not cause for significant regulatory concern. However, because large deductible endorsements are material policy forms related to the calculation of premium and because the forms used had ceased to be valid, all five accounts were counted as exceptions.

In addition, the examiners noted one account where the Company collected premium inconsistent with the terms of the loss-sensitive endorsement attached to the policy. In discussion with the examiners, AIG demonstrated that the premium charged was permissible under the terms of its filed rating plans and consistent with the terms to which the policyholder agreed. The examiners therefore classified the error as Category II -- failure to attach material policy forms related to the method of calculating premium. Together with one instance in which a notice of election was not submitted and the five instances of superseded endorsements, this produced a Category II error rate of 4.2%.

Category III (Reporting). The examiners counted a Category III exception where the premium developed for workers compensation insurance was not properly booked as workers

compensation premium, was misallocated by state, or was improperly reported.⁹ Applying these standards, the examiners raised concerns regarding nine accounts. These exceptions can be grouped in five categories:

- Adjustment Errors – In two instances, premium was allocated at adjustment using methods inconsistent with the Company’s stated procedures.
- Judgmental Allocation – In three instances the examiners concluded that the underwriter’s pricing of a multiline account (i.e. the choice of premium to be charged for workers compensation, general liability, and commercial automobile liability) was not supported and shifted premium from one line of business to another.
- Improper Adjustment – In one retrospectively rated account, the Company developed premium at adjustment based on paid rather than ultimate losses.
- Data Entry Error – In one instance, where premium was manually entered at audit, data for two jurisdictions appears to have been interchanged.
- Unexplained Errors – In two contracts, the examiners were unable to reconcile the premium reported at adjustment and, following discussion with the Company, were unable to identify the source of the error.

The records reviewed for these accounts do not reflect an intentional effort to evade the reporting laws or to misreport premium by line of business or by State. Further, reviewing these exceptions as a group and in the context of the Compliance Plan Examination as a whole, the examiners believe they reflect isolated mistakes rather than systemic or procedural failures. The nine Category III exceptions produced an error rate of 5.4%.

Summarization and Recommendations

The RSA states that AIG “will not be found to be noncompliant with the Compliance Plan” unless the average error rate found in the Compliance Plan Examination exceeds 10% and penalties can be imposed only if this 10% threshold is breached. See RSA ¶¶ F.2, F.3 and F.4. As shown on the Scorecard, the average error rate for all three categories during the Compliance

⁹ Recognizing that errors routinely occur in the processing of business, the Compliance Plan included a safe harbor such that immaterial errors (i.e. those affecting less than 4% of premium) and errors caught/corrected by the Company’s standard allocation and verification methodologies would not be counted as exceptions.

Plan Examination was 3.8% -- substantially below the 10% threshold. Penalties are not, therefore, available under the RSA.

Even if the RSA did not expressly bar the imposition of penalties in this case, the examiners would not recommend them. Most importantly, in the course of conducting the Compliance Plan, the examiners encountered no evidence that AIG was engaged in the sort of systemic non-compliance identified during the Legacy Period Review. Instead, the Company appears to have worked very hard to instill the “culture of compliance” that was its stated goal in entering into the RSA.

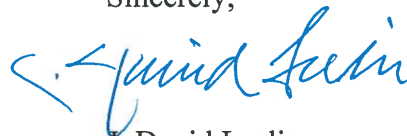
Acknowledgement

The examiners wish to thank the Company for its cooperation and constructive engagement throughout the Legacy Period Review, the monitoring period, and the Compliance Plan Examination.

Verification and Report Submission

The foregoing is a true and accurate report of the Compliance Plan Examination. The report of examination is herewith respectfully submitted,

Sincerely,



J. David Leslie
Rackemann, Sawyer & Brewster, P.C.
Examiner-in-Charge

Subscribed and sworn before me this 24th day of April, 2017



Notary Public

Examiners

Stuart T. Leslie, Esq. – *Rackemann, Sawyer & Brewster, P.C.*
Matthew P. Merlino, FCAS, MAAA – *Merlinos & Associates, Inc.*
Rebecca Freitag, FCAS, MAAA – *Merlinos & Associates, Inc.*

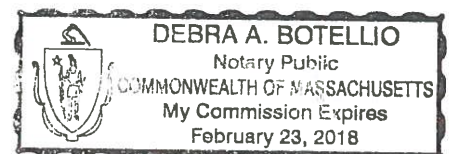


EXHIBIT A

Compliance Plan Examination Scorecard

Control No.	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)	Control No.	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)
1GC13	-	-	-	34GC54	-	-	-
2GC55	-	-	-	35 LS 55	Exception	-	-
3 LS 55	-	-	-	36GC54	-	-	-
4 LS 59	-	-	-	37GC26	-	-	-
5GC13	-	-	-	38GC14	-	-	-
6GC26	-	-	-	39 LS 59	-	-	-
7GC14	-	-	-	40GC13	-	-	-
8 LS 89	-	-	Exception	41 LS 82	-	-	-
9GC13	-	-	-	42 LS 54	-	-	-
10 LS 89	-	-	-	43GC54	-	-	-
11GC54	-	-	-	44 LS 55	-	-	-
12 LS 55	-	-	-	45GC13	-	-	-
13GC54	-	-	-	46GC58	-	-	-
14 LS 55	-	-	-	47GC13	-	-	-
15 LS 82	-	-	-	48GC13	-	-	-
16 LS 55	-	-	-	49 LS 82	-	-	-
17GC58	-	-	-	50GC97	-	-	-
18 LS 55	-	-	-	51GC13	-	-	-
19 LS 14	-	Exception	Exception	52 LS 55	-	-	-
20 LS 82	-	Exception	Exception	53 LS 59	-	-	-
21 LS 55	-	-	-	54GC58	-	-	-
22 LS 59	-	-	-	55 LS 55	-	-	-
23GC58	-	-	-	56GC13	-	-	-
24 LS 55	-	-	-	57GC82	-	-	-
25GC58	-	-	-	58 LS 55	-	-	-
26GC26	-	-	-	59GC13	-	-	-
27GC14	-	-	-	60GC13	-	-	-
28GC82	-	-	-	61 LS 59	-	-	-
29GC82	-	-	-	62GC21	-	-	-
30GC54	-	-	-	63 LS 55	-	-	-
31GC54	-	-	-	64 LS 89	-	-	-
32 LS 55	-	-	-	65 LS 89	-	-	-
33 LS 55	-	-	Exception	66GC21	-	-	-

Note: Control numbers include three parts. The initial numbers run sequentially from 1-166 and are unique to each account. The two letters assigned to each account indicate whether the account is guaranteed cost or loss sensitive. The final two numbers identify the AIG Division writing the business.

Control No.	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)
67GC54	-	-	-
68GC54	-	-	-
69GC59	-	-	-
70GC82	-	-	-
71 LS 55	-	-	-
72GC82	-	-	-
73 LS 55	-	-	-
74GC13	-	-	-
75GC13	-	-	-
76 LS 89	-	-	-
77 LS 59	-	-	-
78GC13	-	-	-
79GC13	-	-	-
80GC54	-	-	-
81GC54	-	-	-
82GC13	-	-	-
83GC54	-	-	-
84GC21	-	-	-
85GC13	-	-	-
86 LS 55	-	-	Exception
87GC13	-	-	-
88GC58	-	-	-
89GC59	-	-	-
90GC59	-	-	-
91 LS 55	-	-	-
92 LS 89	-	-	-
93GC26	-	-	-
94GC13	-	-	-
95GC13	-	-	-
96GC13	-	-	-
97GC14	-	-	-
98GC58	-	-	-
99 LS 54	-	-	-
100 LS 55	-	-	-
101 LS 54	-	-	-
102 LS 55	-	-	-
103 LS 59	-	-	-
104 LS 55	-	-	-
105GC13	-	-	-

Control No.	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)
106 LS 55	-	-	-
107GC21	-	-	-
108 LS 21	-	-	-
109GC21	-	-	-
110GC13	-	-	-
111 LS 55	-	-	-
112 LS 59	-	-	-
113GC82	-	-	-
114 LS 55	-	-	-
115GC54	-	-	-
116GC82	-	-	-
117GC13	-	-	-
118GC54	-	-	-
119GC13	-	-	-
120 LS 55	-	-	-
121GC58	-	-	-
122GC82	-	-	-
123GC13	-	-	-
124GC58	-	-	-
125GC26	-	-	-
126GC13	-	-	-
127GC13	-	-	-
128GC59	-	-	-
129GC13	-	-	-
130 LS 54	-	-	-
131 LS 21	-	Exception	-
132GC26	-	-	-
133 LS 82	-	-	Exception
134 LS 59	-	-	-
135GC58	-	-	-
136GC14	-	-	-
137GC14	-	-	Exception
138GC82	-	-	-
139GC13	-	-	-
140 LS 55	-	Exception	-
141 LS 55	-	-	-
142 LS 55	-	-	-
143 LS 54	-	-	-
144GC54	Exception	-	-

Control No.	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)
145GC21	-	-	-
146GC7	-	-	-
147 LS 59	-	-	-
148GC54	-	-	-
149GC21	-	-	-
150 LS 55	Exception	-	Exception
151 LS 21	-	Exception	-
152 LS 82	-	-	-
153 LS 54	-	-	Exception
154 LS 55	-	Exception	-
155GC54	-	-	-
156GC13	-	-	-

Control No.	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)
157 LS 55	-	Exception	-
158GC82	-	-	-
159GC13	-	-	-
160GC13	-	-	-
161GC13	-	-	-
162GC54	-	-	-
163 LS 89	-	-	-
164 LS 55	-	-	-
165 LS 55	-	-	-
166 LS 21	-	-	-
Exceptions	3	7	9
Error Rate	1.8%	4.2%	5.4%

Scorecard Statistics

Average Error Rate

	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)
Error Rate	1.8%	4.2%	5.4%
Average	3.8%		

Exceptions by Product Type

Guaranteed Cost Accounts Reviewed: 98
Loss Sensitive Accounts Reviewed: 68

	Category 1 (Rates)	Category 2 (Forms)	Category 3 (Reporting)
Guaranteed Cost	1	0	1
Loss Sensitive	2	7	8

Exception Distribution

Exceptions	Guaranteed Cost	Loss Sensitive	Total
NO Exceptions	96	54	150
Exceptions in ONE Category	2	11	13
Exceptions in TWO Categories	0	3	3
Exceptions in THREE Categories	0	0	0
Total	98	68	166