

DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

In Re:)
)
 TECHNOLOGY INSURANCE COMPANY) **Market Conduct Examination**
 (NAIC #42376)) **No. 317130**

ORDER OF THE DIRECTOR

NOW, on this 15th day of November, 2021, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of Technology Insurance Company (NAIC #42376) (hereinafter "Technology"), examination report number #317130, prepared and submitted by the Division of Insurance Market Regulation (hereinafter "Division") pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), relating to the market conduct examination #317130, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

IT IS THEREFORE ORDERED that Technology and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016, as amended, or to the Code of State Regulations, 2020, as amended.

IT IS FURTHER ORDERED that Technology shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that Technology shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$40,900.00 payable to the Missouri State School Fund in connection with the examination.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 15th day of November, 2021.



Chlora Lindley-Myers
Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
 TECHNOLOGY INSURANCE COMPANY) Market Conduct Examination
 (NAIC #42376)) No. 317130

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and Technology Insurance Company (NAIC #42376) (hereinafter “Technology”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, Technology has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of Technology, examination #317130; and

WHEREAS, based on the market conduct examination of Technology, the Division alleges that:

1. In one instance, Technology did not adhere to the uniform classification system by failing to use filed payroll allocation amounts for the company officer in violation of §287.955.1¹.
2. In one instance, Technology did not adhere to the NCCI Basic Manual rules in violation of §287.955.1.

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended.

3. In nine instances, Technology decreased or increased the schedule rating credit when there was no documented change in the risk in violation of §287.955.6 and 20 CSR 500-4.100 (7) (D).

4. In two instances, Technology did not maintain the schedule rating worksheet in violation of §374.205.2 (2), §287.937.2, 20 CSR 100-8.040 (3) (A) and 20 CSR 500-4.100 (7) (D).

5. In two instances, Technology did not utilize the experience rating factor as determined by the NCCI, in violation of §287.955.1.

6. In five instances, Technology did not adhere to the uniform classification system and uniform experience rating plan in violation of §287.955.1.

7. In 177 instances, Technology attached unapproved forms to policies in violation of §287.310.1 and 20 CSR 500-6.100 (1).

8. In 215 instances, Technology did not attach a required Missouri form or endorsement to policies in violation of §§287.955.4 & .5, §287.310.1 and 20 CSR 500-6.100 (1).

9. In four instances, Technology used an unfiled rate to calculate final premium in violation of §287.947.1 and 20 CSR 500-6.950 (7).

10. In two instances, Technology did not complete the Missouri Benefits Deductible Endorsement in violation of §287.955.4 & .5, §287.310.1 and 20 CSR 500-6.100 (1).

11. In 95 instances, Technology materially aided producers, not listed on its Registry, to write business, in violation of §375.022.2 and 20 CSR 700-1.020.

12. In 50 instances, Technology failed to complete and bill audits or return premium within 120 days of policy expiration or cancellation in violation of §§287.955.1 & .3 and 20 CSR 500-6.500 (2) (A).

13. In 18 instances, Technology did not notify the insured of the specific amount of the Audit Non-Compliance charge applied for non-cooperation in the audit process in violation of §287.955.5.

14. In seven instances, Technology was late in responding to examiner criticisms in violation of §374.205.2 (2) and 20 CSR 100-8.040 (6).

15. In 12 instances, Technology was late in responding to formal requests in violation of §374.205.2 (2) and 20 CSR 100-8.040 (6).

WHEREAS, the Division and Technology have agreed to resolve the issues raised in the market conduct examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** During the course of the examination, Technology represented that it had already corrected many of the issues raised in the market conduct examination. To the extent it has not already done so, Technology agrees to take further remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in the market conduct examination and in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. Technology agrees to use only filed rates in calculating workers compensation insurance with Missouri premium or exposure.

2. Technology agrees that it will not utilize a schedule rating credit or debit, or increase or decrease such credits or debits, on workers compensation policies with Missouri premium or exposure without documenting a change in the risk.

3. Technology agrees that it will review all in-force guarantee cost workers compensation insurance policies with Missouri premium or exposure as of the date of the Order approving this Stipulation to determine if schedule rating credits were decreased in the current policy without a documented change in the risk. If schedule rating credits were decreased without a documented change in the risk, Technology will refund any overcharge to the affected policyholder with interest as determined under §374.191. However, if the review reveals an error ratio that exceeds 7%, then in addition to providing refunds to affected policyholders for the overcharge in the current policy term, Technology agrees to conduct an additional review of active guarantee cost workers compensation insurance policies from January 1, 2018 through the date of the Order, exclusive of the policy terms reviewed in the initial review. Refunds will be issued for all policy terms within the scope of the review period where scheduled rating credits were decreased without a documented change in the risk. A letter will be included with the payment indicating that “as a result of a Missouri market conduct examination, it was found that a partial refund of premium was owed.”

4. Technology agrees that it will maintain records for Missouri risks, including schedule rating worksheets, in an archival manner and will not add information to a record that is finalized for file documentation or permanent retention purposes.

5. Technology agrees not to utilize unfiled or unapproved forms on workers compensation policies with Missouri premium or exposure.

6. Technology agrees that it will attach all Missouri required forms or endorsements to workers compensation policies with Missouri premium or exposure.

7. Technology agrees that it will maintain policy file documentation as required by §374.205.2 and 20 CSR100-8.040 (3) (A).

8. Technology agrees not to permit producers to write Technology workers compensation policies with Missouri premium or exposure unless the producer is licensed and listed on Technology's Producer Registry at the time of the sale.

9. Technology agrees that audits on workers compensation policies with Missouri premium or exposure will be completed, billed, and premiums returned within 120 days of policy expiration or cancellation unless a) a delay is caused by the policyholder's failure to respond to reasonable audit requests provided that the requests are timely and adequately documented or b) a delay is by the mutual agreement of the policyholder and Technology provided that the agreement is adequately documented.

10. Technology agrees to timely notify Missouri policyholders of the specific amount of the Audit Noncompliance Charge applied for non-cooperation in the audit process prior to applying such a charge.

11. Technology agrees to issue refunds to all policyholders identified as being overcharged in the Examination Report, and will include interest as determined under §374.191. A letter will be included with the payment indicating that "as a result of a Missouri market conduct examination, it was found that a premium refund was owed."

12. Technology agrees to timely respond to criticisms and to formal requests in future Missouri market conduct examinations.

C. **Compliance.** Technology agrees to file documentation with the Division, in a format acceptable to the Division, within 180 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation or to document the payment of restitution required by this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Ongoing Examination.** Technology agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by Technology pursuant to Paragraph C of this Stipulation.

E. **Other Penalties.** The Division agrees that it will not seek penalties against Technology other than those agreed to in this Stipulation, in connection with the above-referenced market conduct examination.

F. **Voluntary Forfeiture.** Technology agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$40,900 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

G. **Non-Admission.** Nothing in this Stipulation nor any act performed by Technology pursuant to or in furtherance of this Stipulation shall be construed as an admission by Technology, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination. Technology expressly denies that any of its actions or alleged actions were knowingly committed or represented a pattern or business practice that would violate insurance unfair trade practice laws or any other applicable statutes or regulations. The parties agree that nothing in this Stipulation is intended to create any private rights or remedies against Technology, to constitute evidence of wrongdoing by Technology for the purpose of any third-party proceeding, or to

waive any of Technology's defenses against any person or entity not a party to this Stipulation. Technology enters into this Stipulation to fully, finally, and completely resolve all matters encompassed within the scope of this Stipulation and market conduct examination without further regulatory or administrative process or any actions, requirement, or monetary payments beyond those enumerated herein.

H. **Waivers.** Technology, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above-referenced market conduct examination.

I. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and Technology.

J. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

K. **Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Stipulation, on behalf of the Division and Technology respectively.

L. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

M. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director of the Department (hereinafter "Director") approving this Stipulation.

N. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 11-02-2021



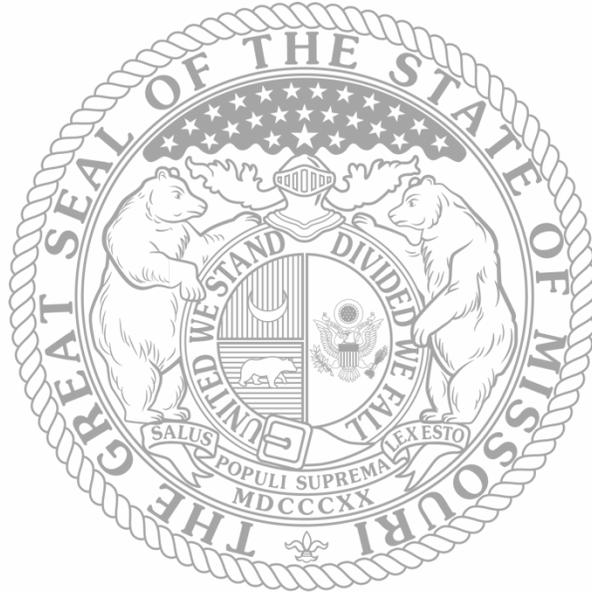
Stewart Freilich
Chief Market Conduct Examiner
and Senior Counsel
Division of Insurance Market Regulation

DATED: October 28, 2021



Barry Moses
Assistant Secretary and Vice President,
Senior Regulatory Counsel

Technology Insurance Company



**FINAL MARKET CONDUCT EXAMINATION REPORT
Property and Casualty Business of**

**Technology Insurance Company
NAIC # 42376**

MISSOURI SBS EXAMINATION # 317130

NAIC MATS #MO-HICKSS1-99

November 2, 2021

**Home Office
59 Maiden Lane 43rd Floor
New York, NY 10038**

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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November 2, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified lines of business and business practices of

Technology Insurance Company (NAIC #42376)

hereinafter referred to as TIC or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors considered potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” refers to the Technology Insurance Company
- “CSR” refers to the Missouri Code of State Regulation
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “NCCI” refers to the National Council on Compensation Insurance
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo., conducted in accordance with §374.205.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2015 through December 31, 2017, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following lines of business and business functions: Workers' Compensation Insurance (Underwriting/Rating, Licensing, and Policyholder Service).

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the NAIC *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices, it is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized for reviews not applying the general business practice standard.

In performing this examination, the examiners reviewed only a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

COMPANY HISTORY

Technology Insurance Company, Inc. (the "Company") was incorporated under the laws of New Hampshire on June 24, 1991, and at that time was owned by Wang Laboratories, Inc. In 1998, AmTrust Financial Services, Inc., ("AFSI") acquired the Company, which initially provided warranty insurance coverage. On January 12, 2017, the Company redomesticated to the state of Delaware.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Company is licensed and/or authorized to transact business in all 50 states, the District of Columbia, Puerto Rico and Canada.

The Company offers the following lines of business: fire, allied lines, commercial multi-peril, ocean marine, inland marine, auto warranties, earthquake, workers' compensation, other liability, commercial automobile liability, commercial auto physical damage, fidelity, surety, glass, burglary and theft, boiler and machinery, credit, home warranties, service warranties (non-auto), other warranty and miscellaneous casualty lines insurance. The Company's primary line of business is workers' compensation, which amounted to 83.9% of its direct written premium in 2017.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of Technology Insurance Company. The examiners found the following areas of concern:

UNDERWRITING AND RATING

Active Guarantee Cost Workers' Compensation Policies

- In one file, the Company failed to use the correct NCCI standard payroll for officers. Reference: §287.955.1, RSMo., and NCCI Basic Manual (2001 MO) – Missouri Rule 2.E.
- In one file, the Company applied a 1.1% increased limits factor but did not include the additional Employers' Liability increased limits charge to meet the minimum premium amount of \$120. Reference: §287.955.1, RSMo.
- In six files, the Company decreased the schedule rating credit when there was no documented change in the risk. Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo., and 20 CSR 500-4.100(7)(D)
- In two files, the Company increased the schedule rating credit when there was no documented change in the risk. Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo., and 20 CSR 500-4.100(7)(D)
- In two files, the Company failed to maintain the schedule rating worksheet showing the justification and amounts of percent credit or debit applied to the policy. Reference: §§374.205(2), 287.937.2, RSMo., and 20 CSR 100-8.040(3)(A), 20 CSR 500-4.100(7)(D)
- In two files, the Company did not utilize the experience rating factor as determined by the NCCI. Reference: §287.955.1, RSMo.
- In five files, the Company failed to allocate a flat 10% of the member payroll in Code 8810-Clerical Office Employees NOC. Reference: §287.955.1, RSMo., and NCCI Basic Manual (2001 MO) – Missouri Rule 2.E.
- In 102 policies, the Company attached various forms for which it failed to obtain approval from the DCI. Reference: §287.310.1, RSMo., and 20 CSR 500-6.100(1)
- In 110 policies, the Company failed to attach the required Missouri Property and Casualty Guaranty Association Notification Endorsement WC 24 06 02 B. Reference: §§287.955.1 and .5, 287.310.1, RSMo., and 20 CSR 500-6.100(1), and NCCI Forms Manual, WC 24 06 02 B (Ed. 7-06)

Active Small Deductible Workers' Compensation Policies

- In four files, the Company used an unfiled rate to calculate the policy's final premium by applying a small deductible credit different from what was filed with the DCI. Reference: §287.947.1, RSMo., and 20 CSR 500-6.950(7)
- In 37 files, the Company failed to complete and attach the required Missouri Benefits Deductible Endorsement WC 24 06 03 to the small deductible policies reviewed. Reference: §§287.955.4 and .5, 287.310.1, RSMo., and 20 CSR 500-6.100(1), and NCCI Forms Manual, WC 24 06 03 (Ed. 10-95)
- In two files, the Missouri Benefits Deductible Endorsement WC 24 06 03 was attached to the policies, but the forms were not completed. The deductible amount was not included on the form. Reference: §§287.955.4 and .5, 287.310.1, RSMo., and 20 CSR 500-6.100(1), and NCCI Forms Manual, WC 24 06 03 (Ed. 10-95)

Active PEO Workers' Compensation Policies

- In 40 files, the Company attached various forms for which it failed to obtain approval from the DCI. Reference: §287.310.1, RSMo., and 20 CSR 500-6.100(1)
- In 50 policies, the Company failed to attach various Missouri required forms. Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100(1), and NCCI Forms Manual
- In three files, the Company issued policies with anniversary rating dates and charged rates accordingly, but failed to attach the required endorsement to do so, WC 00 04 02. Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100(1), and NCCI Forms Manual
- In one file, the Company increased the schedule rating credit with no documentation of any change in the risk. Reference: §287.955.6(2)(d), RSMo. (2016), and 20 CSR 500-4.100(7)(D)

Late Audit Policies

- In 35 files, the Company attached form WC 24 06 04 to its policies for which it failed to obtain approval from the DCI. Reference: §287.310.1, RSMo., and 20 500-6.100(1)
- In 15 policies, the Company failed to attach Missouri required form WC 24 06 04 B. Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100(1), and NCCI Forms Manual

PRODUCER LICENSING

Active Guarantee Cost Workers' Compensation Policies

- In 95 files, the policy was written by producers that were not appointed by the Company. Reference: §§375.014, 375.022(2), RSMo., and 20 CSR 700-1.020

POLICYHOLDER SERVICE

Late Audit Policies

- In 50 files, the Company failed to complete and bill audits or return premium within 120 days of policy expiration or cancellation without a permissible reason for the delay. Reference: §§287.310.1, 287.955.1 and .3, RSMo., and 20 CSR 500-6.500(2)(A)
- In 18 files, the Company did not notify the insured of the amount of the Audit Noncompliance Charge (ANC) that would be applied to the policy if the insureds were uncooperative during the audit. Reference: §287.955.5, RSMo., NCCI Basic Manual Rule 3.A.1.13

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING

The underwriting and rating portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding underwriting and rating practices such as the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage.

A. Active Guarantee Cost Workers' Compensation Policies

1. NAIC Chapter 20 Underwriting and Rating Standard 1: The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.

To test for this standard, examiners requested and reviewed a random sample of 114 active guarantee cost workers' compensation policies from data supplied by the Company to determine if the premiums charged agreed with the Company's rate filing and NCCI rules.

Field Size	2,935
Sample Size	114
Type of Sample	Random
Number of Files in Error	2
Error Ratio	1.75%

The following errors were found in this review.

Finding 1: In one file, the Company failed to adhere to the uniform classification system filed with the Director. The Company failed to use the filed payroll allocation amounts for the company officer, which resulted in an overcharge to the insured.

Reference: §287.955.1, RSMo., and NCCI Basic Manual (2001 MO) – Missouri Rue 2.E.

Finding 2: In one file, the Company failed to adhere to NCCI Basic Manual Rule 3.A.14., which establishes a minimum premium for policies with increased limits for Employers' Liability. The Company applied a 1.1% increased limits factor but did not include the additional Employers' Liability increased limits charge to meet the minimum premium amount of \$120, resulting in an undercharge in overall premium.

Reference: §287.955.1, RSMo.

2. NAIC Chapter 21 Underwriting and Rating Standard 2: Schedule rating or individual risk premium modification plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.

To test for this standard, examiners requested and reviewed a random sample of 114 active guarantee cost workers' compensation policies from data supplied by the Company files to determine if schedule rating credits or debits were based on actual changes in risk and whether evidence was contained in the file of the insurer at the time the debit or credit was applied.

Field Size	2,935
Sample Size	114
Type of Sample	Random
Number of Files in Error	10
Error Ratio	8.77%

The following errors were found in this review.

Finding 1: In six files, the Company decreased the schedule rating credit for the policy period when there was no documented change in the risk from the previous policy, which resulted in overcharges to the insureds.

Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 2: In two files, the Company increased the schedule rating credit for the policy period when there was no documented change in the risk from the previous policy, which resulted in undercharges to the insureds.

Reference: §§287.950.1, 287.955.6(4)(d), (2014), 287.955.6(2)(d), (2016), RSMo, and 20 CSR 500-4.100(7)(D)

Finding 3: In two files, the Company failed to maintain information necessary for the reconstruction of the rating and underwriting of the policy. The Company did not maintain the schedule rating worksheet showing the justification and the percentage amounts of the credit or debit applied to the policy.

Reference: §§374.205(2), 287.937.2, RSMo., and 20 CSR 100-8.040(3)(A), 20 CSR 500-4.100(7)(D)

3. NAIC Chapter 21 Underwriting and Rating Standard 5: Verification of experience modification factors.

To test for this standard, examiners requested and reviewed a random sample of 114 active guarantee cost workers' compensation policies from data supplied by the Company files to determine if the file contained NCCI documentation of the experience modification factor and if the correct factor was applied to the policy.

Field Size	2,935
Sample Size	114
Type of Sample	Random
Number of Files in Error	2
Error Ratio	1.75%

The following errors were found in this review.

Finding 1: In two files, the Company failed to adhere to the NCCI Experience Rating Factor that was provided. The Company did not utilize the experience rating factor as determined by the NCCI, which resulted in overcharges to the insureds.

Reference: §287.955.1, RSMo.

4. NAIC Chapter 21 Underwriting and Rating Standard 17: All policies are correctly coded.

To test for this standard, examiners requested and reviewed a random sample of 114 active guarantee cost workers' compensation policies from data supplied by the Company files to determine if policies were correctly coded.

Field Size	2,935
Sample Size	114
Type of Sample	Random
Number of Files in Error	5
Error Ratio	4.38%

The following errors were found in this review.

Finding 1: In five files, the Company failed to adhere to the uniform classification system and uniform experience rating plan filed with the Director. The Company did not allocate a flat 10% of the member payroll in Code 8810-Clerical Office Employees NOC, which resulted in overcharges to the insureds. The members were listed as included on the application forms.

Reference: §287.955.1, RSMo., and NCCI Basic Manual (2001 MO) - Missouri Rule 2.E.

5. NAIC Chapter 20 Underwriting and Rating Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.

To test for this standard, examiners requested and reviewed a random sample of 114 active guarantee cost workers' compensation policies from data supplied by the Company files to determine if the forms making the policy were filed with the Director and used as filed.

Field Size	2,935
Sample Size	114
Type of Sample	Random
Number of Files in Error	102
Error Ratio	89.47%

The following errors were found in this review.

Finding 1: In 102 policies, the Company attached forms for which it failed to obtain approval from the DCI. The Company continued the use of forms WC 00 00 00 A, WC 24 06 04, WC 24 04 0 C, and WC 00 04 22 after the forms were withdrawn from use by the filing agency. Form WC 00 04 06 A was used but not submitted by the filing agency for use in Missouri. All endorsements attached to or made a part of the basic policy, which have not been submitted by a filing agency on behalf of its members and subscribers must be submitted by each company.

Reference: §287.310.1, RSMo., and 20 CSR 500-6.100(1)

6. NAIC Chapter 21 Underwriting and Rating Standard 11: All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).

To test for this standard, examiners requested and reviewed a random sample of 114 active guarantee cost workers' compensation policies from data supplied by the Company files to determine if the forms making the policy were filed with the Director and used as filed.

Field Size	2,935
Sample Size	114
Type of Sample	Random
Number of Files in Error	110
Error Ratio	96.49%

The following errors were found in this review.

Finding 1: In 110 policies, the Company failed to adhere to the approved manual rules of the NCCI. The Company did not attach the required Missouri Property and Casualty Guaranty Association Notification Endorsement WC 24 06 02 B to the policies.

Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100(1) and NCCI Forms Manual, WC 24 06 02 B (Ed. 7-06)

B. Active Small Deductible Workers' Compensation Policies

1. NAIC Chapter 20 Underwriting and Rating Standard 1: The rate charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.

To test for this standard, examiners requested and reviewed a census sample of 52 active small deductible workers' compensation policies from data supplied by the Company files to determine if the premiums charged agreed with the Company's rate filing and NCCI rules.

Field Size	52
Sample Size	52
Type of Sample	Census
Number of files in Error	4
Error Ratio	7.69%

The following errors were found in this review.

Finding 1: In four files, the Company used an unfiled rate to calculate the policy's final premium by applying a small deductible credit that was different from what was filed with the DCI. The failure to follow rates filed with the DCI resulted in overcharges to three insureds and an undercharge to one insured.

Reference: §287.947.1, RSMo., and 20 CSR 500-6.950(7)

2. NAIC Chapter 21 Underwriting and Rating Standard 11: All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).

To test for this standard, examiners requested and reviewed a census of 52 active small deductible workers' compensation policies from data supplied by the Company files to determine if policies contained required forms.

Field Size	52
Sample Size	52
Type of Sample	Census
Number of files in Error	37
Error Ratio	71.15%

The following errors were found in this review.

Finding 1: In 37 files, the Company failed to adhere to the approved manual rules of the NCCI by not completing and attaching the required Missouri Benefits Deductible Endorsement WC 24 06 03 to the small deductible policies reviewed.

Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100(1) and NCCI Forms Manual, WC 24 06 03 (Ed. 10-95)

3. NAIC Chapter 20 Underwriting and Rating Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.

To test for this standard, examiners requested and reviewed a census sample of 52 active small deductible workers' compensation policies from data supplied by the Company files to determine if the forms making the policy were filed with the Director and used as filed.

Field Size	52
Sample Size	52
Type of Sample	Census
Number of files in Error	2
Error Ratio	3.84%

The following errors were found in this review.

Finding 1: In two files, the Missouri Benefits Deductible Endorsement WC 24 06 03 was attached to the policies, but the forms were not completed. The Company failed to include the deductible amount on the form. The form was not used as intended and filed with the Director and was misleading regarding the amount of credit available.

Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100(1), and NCCI Forms Manual, WC 24 06 03 (Ed. 10-95)

C. Active PEO Workers' Compensation Policies

1. **NAIC Chapter 20 Underwriting and Rating Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.**

To test for this standard, examiners requested and reviewed a random sample of 50 active PEO workers' compensation policies from data supplied by the Company files to determine if the forms making the policy were filed with the Director and used as filed.

Field Size	145
Sample Size	50
Type of Sample	Random
Number of files in Error	40
Error Ratio	80.00%

The following errors were found in this review.

Finding 1: In 40 files, the Company attached forms for which it failed to obtain approval from the DCI. The Company continued the use of forms WC 00 01 13, WC 00 01 14, WC 00 04 04, WC 00 04 22, WC 24 04 06 C and WC 24 06 04 after the forms were withdrawn from use by the filing agency. Forms WC 00 00 00 A, WC 00 03 22, WC 00 04 06 A, WC 00 04 21 D, and WC 00 04 24 were used but not submitted by the filing agency for use in Missouri, and form WC 00 03 01 was disapproved April 1, 1984. All endorsements attached to or made a part of the basic policy which have not been submitted by a filing agency on behalf of its members and subscribers must be submitted by each Company. If the Company intends to continue the use of forms which have been withdrawn from use by the filing agency, the Company must individually file to use such forms.

Reference: §287.310.1, RSMo., and 20 CSR 500-6.100(1)

2. **NAIC Chapter 21 Underwriting and Rating Standard 11: All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).**

To test for this standard, examiners requested and reviewed a random sample of 50 active PEO workers' compensation policies from data supplied by the Company files to determine if policies contained the required forms.

Field Size	145
Sample Size	50
Type of Sample	Random
Number of files in Error	50
Error Ratio	100.00%

The following errors were found in this review.

Finding 1: In 50 files, the Company failed to adhere to the approved NCCI Forms Manual rules by not attaching one or more Missouri required forms WC 24 06 01 B, WC 24 06 02 B, WC 24 06 04 A, WC 24 06 04 B, and WC 24 04 06 D.

Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100(1) and NCCI Forms Manual

3. NAIC Chapter 20 Underwriting and Rating Standard 1: The rate charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity’s rating plan.

To test for this standard, examiners requested and reviewed a random sample of 50 active PEO workers’ compensation policies from data supplied by the Company files to determine if the premiums charged agreed with the Company’s rate filing and NCCI rules.

Field Size	145
Sample Size	50
Type of Sample	Random
Number of files in Error	3
Error Ratio	0.06%

The following errors were found in this review.

Finding 1: In three files, the Company failed to adhere to the approved manual rules of the NCCI. The Company issued policies with anniversary rating dates but failed to attach the required endorsement, WC 00 04 02, which resulted in overcharges to the insureds.

Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100 (1) and NCCI Forms Manual

4. NAIC Chapter 21 Underwriting and Rating Standard 2: Schedule rating or individual risk premium modification plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.

To test for this standard, examiners requested and reviewed a random sample of 50 active PEO workers’ compensation policies from data supplied by the Company files to determine if schedule rating credits or debits were based on actual changes in risk and evidence was contained in the file of the insurer at the time the debit or credit was applied.

Field Size	145
Sample Size	50
Type of Sample	Random
Number of files in Error	1
Error Ratio	0.02%

The following errors were found in this review.

Finding 1: In one file, the Company increased the schedule rating credit for the 2015 policy period when there was no change in the risk from the previous policy. In March of 2017, the Company increased the credit for the 1/1/2015 policy period from 10% to 20% with no documentation in the file regarding any change in risk, which resulted in an undercharge to the insured.

Reference: §287.955.6(2)(d), RSMo. (2016), and 20 CSR 500-4.100(7)(D)

D. Late Audit Policies

- 1. NAIC Chapter 20 Underwriting and Rating Standard 5: All forms, including policies, contracts, riders, amendments, endorsement forms and certificates are filed with the insurance department, if applicable.**

To test for this standard, examiners requested and reviewed a random sample of 50 late audit workers' compensation policies from data supplied by the Company files to determine if the forms making the policy were filed with the Director and were used as filed.

Field Size	557
Sample Size	50
Type of Sample	Random
Number of files in Error	35
Error Ratio	70.00%

The following errors were found in this review.

Finding 1: In 35 files, the Company attached form WC 24 06 04 to its policies. The Company failed to submit and obtain approval for form WC 24 06 04 to the DCI for specific approval to use. All endorsements attached to or made part of the basic policy which have not been submitted by a filing agency on behalf of its members and subscribers must be submitted by each Company. Forms that have been withdrawn from use by the filing agency, must be filed individually by the Company for use.

Reference: §287.310.1, RSMo., and 20 CSR 500-6.100(1)

- 2. NAIC Chapter 21 Underwriting and Rating Standard 11: All forms and endorsements forming a part of the contract are listed on the declaration page and should be filed with the insurance department (if applicable).**

To test for this standard, examiners requested and reviewed a random sample of 50 late audit workers' compensation policies from data supplied by the Company files to determine if policies contained required forms.

Field Size	557
Sample Size	50
Type of Sample	Random
Number of files in Error	15
Error Ratio	30.00%

The following errors were found in this review.

Finding 1: In 15 files, the Company failed to adhere to the approved manual rules of the NCCI by not attaching the Missouri required form WC 24 06 04 B to the policy.

Reference: §§287.310.1, 287.955.4 and .5, RSMo., 20 CSR 500-6.100 (1) and NCCI Forms Manual

E. Policies Shifted Between Affiliated Companies Policies

Examiners requested and reviewed a census of 14 policies that were written by affiliated insurers for subsequent policy terms or moved to Technology in the current term from an affiliated insurer to determine if risks were moved between affiliated insurers due to an actual change in risk or to circumvent rate decreases and schedule rating constraints.

Field Size	14
Sample Size	14
Type of Sample	Census
Number of files in Error	0
Error Ratio	0.00%

The examiners found no errors in this review.

II. PRODUCER LICENSING

The producer licensing portion of the examination reviews a regulated entity's compliance with Missouri producer licensing laws and regulations.

A. Active Guarantee Cost Workers' Compensation Policies

1. NAIC Chapter 20 Producer Licensing Standard 2: The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.

To test for this standard, examiners requested and reviewed a random sample of 114 active guarantee cost workers' compensation policies from data supplied by the Company files and checked the licensing status of producers appearing on applications in the sample policy files to ensure producers were licensed according to Missouri law.

Field Size	2,935
Sample Size	114
Type of Sample	Random
Number of files in Error	95
Error Ratio	83.00%

The following errors were found in this review.

Finding 1: In 95 files, the policy was written by producers that were either, not listed on the Company's Producer Registry or the appointment date was more than thirty days after the policy's effective date. Within thirty days of an insurer authorizing an insurance producer to transact the business of insurance on its behalf, the insurer shall enter the name and license number of the insurance producer in the company register of appointed insurance producers.

Reference: §§375.014, 375.022(2), RSMo., and 20 CSR 700-1.020

III. POLICYHOLDER SERVICE

The policyholder service portion of the examination reviews the Company's compliance with Missouri statutes and regulations regarding notice/billing, delays/no response, and premium refund and coverage questions.

A. Late Audit Policies

1. NAIC Chapter 20 Policyholder Service Standard 1: Premium notices and billing notices are sent out with an adequate amount of advance notice.

To test for this standard, examiners requested and reviewed a random sample of 50 late audit workers' compensation policies from data supplied by the Company to determine if audits were completed and billed within 120 days of policy expiration or cancellation reviewing for a permissive reason for the delay.

Field Size	557
Sample Size	50
Type of Sample	Random
Number of files in Error	50
Error Ratio	100.00%

The following errors were found in this review:

Finding 1: In 50 files, the Company failed to complete and bill audits or return premium within 120 days of policy expiration or cancellation and failed to provide evidence the audits were late due to a mutual agreement between the Company and the insured or due to the insured's failure to respond to reasonable and timely audit requests.

Reference: §§287.955.1 and .3, 287.310.1, RSMo., and 20 CSR 500-6.500(2)(A)

Finding 2: In 18 files, the Company did not notify the insured of the amount of the ANC that would be applied to the policy if the insured were uncooperative in the audit process. The Company's requests for information state the policy may be subject to a potential surcharge, but does not provide the specific amount of the ANC in accordance with NCCI rules.

Reference: §287.955.5, RSMo., and NCCI Basic Manual Rule 3.A.1.13

IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	19	54.00%
Over 10 days with extension	9	26.00%
Over 10 days without extension or after extension due date	7	20.00%
Totals	35	100.00%

Finding 1: The Company was late in responding to seven criticism.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(6)

B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	6	27.00%
Over 10 days with extension	4	18.00%
Over 10 days without extension or after extension due date	12	55.00%
Totals	22	100.00%

Finding 1: The Company was late in responding to 12 formal requests.

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040(6)

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Technology Insurance Company (NAIC #42376), Examination Number 317130. This examination was conducted by Martha Long, Julie Hesser, Jon Meyer, Dana Whaley, Shelly Herzing, Dale Hobart, Darren Jordan and Tad Herin. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated October 7, 2020. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

11-02-2021

Date



Stewart Freilich

Chief Market Conduct Examiner