

**STATE OF VERMONT**  
**DEPARTMENT OF FINANCIAL REGULATION**

In re: National Council on Compensation )  
Insurance, Inc. ) DOCKET NO. 12-014-I  
)  
)

**ORDER ADOPTING REPORT OF EXAMINATION**

The following Order adopts the Target Multi-State Market Conduct Examination Report (Report) of the National Council on Compensation Insurance, Inc. (NCCI) to the extent described below.

1. Pursuant to the authority granted by law, including, but not limited to that contained in 8 V.S.A. §§ 10-13, 22, 3573-3574, 4726 and 4687(b), the Commissioner of the Department of Financial Regulation of the State of Vermont (Department) administers and enforces the insurance laws and regulations of the State of Vermont and conducts periodic examinations of licensees to determine whether they are in compliance with the law.
2. Pursuant to 8 V.S.A. § 4687(b), the Commissioner of the Department must designate an advisory or service organization to assist him in the collection of statistical information and other activities relating to workers' compensation insurance. Section 4687(b) also enumerates activities that the insurance advisory or services organization shall perform subject to the Commissioner's oversight.
3. On July 10, 1984, NCCI was granted a license under 8 V.S.A. § 4690 and designated an advisory or services organization under 8 V.S.A. § 4687(b). NCCI is a non-profit organization that maintains the nation's largest database of workers' compensation insurance information. NCCI collects data, analyzes industry trends, prepares workers' compensation insurance rate recommendations, determines the cost of proposed legislation, and provides data products to maintain a workers' compensation system and reduce the frequency of employee injuries. Insurance companies that sell workers' compensation insurance rely on NCCI to provide data upon which to base premiums.
4. In April 2010, The Advisory Organization Examination Oversight (C) Working Group of the National Association of Insurance Commissioners (NAIC Working Group) initiated a

multi-state examination of the business practices of NCCI covering the period of January 1, 2006 through December 31, 2010 (the multi-state examination). Along with 39 other jurisdictions, Vermont participated in the multi-state examination.

5. The NAIC Working Group's multi-state examination focused on processes and procedures currently in place, including but not limited to the preparation of loss cost filings, rules, forms, operations/management, statistical plans, licensing or authorization, data receipt and controls, processing editing and compilation procedures, error handling, correspondence with reporting insurers, report submissions to regulators, as well as compliance with the applicable standards set forth in Chapter 16 and Chapter 25 of the 2010 NAIC Market Regulation Handbook, incorporated by reference into Vermont law by 8 V.S.A. § 3573.
6. On January 5, 2012, the NAIC Working Group issued its Report of the findings of the multi-state examination and concluded that the overall results of the review showed that NCCI's processes and procedures are adequate. Report attached as Exhibit A.
7. The Report identified two recommendations and seven observations for NCCI. The recommendations for NCCI included: 1) comply with plain language readability requirements by states and 2) perform audits and subsequent audits of accounts payable cycles and travel reimbursements. The seven observations all related to security technology. On January 23, 2012, NCCI responded in writing to the NAIC Working Group with corrective responses for the recommendations. NCCI also noted the seven observations in its response.

Based upon the findings issued by the NAIC Working Group and NCCI's response, **IT IS THEREFORE ORDERED** that the Target Multi-State Market Conduct Examination Report shall be adopted.

Dated at Montpelier, Vermont this 22<sup>nd</sup> day of May 2012.

By: Susan S. Fonegan, Acting Commissioner

Stephen W. Kimbell, Commissioner  
Department of Financial Regulation