

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**Bristol West Casualty Insurance Company**

**AND**

**Bristol West Insurance Company**

**AS OF**

**DECEMBER 31, 2018**

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

**Property and Casualty Division  
Market Conduct Section**

# COMMONWEALTH OF VIRGINIA



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COMMISSIONER OF INSURANCE  
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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, William Felvey, Senior Insurance Market Analyst of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Bristol West Casualty Insurance Company and Bristol West Insurance Company as of December 31, 2018, conducted at the State Corporation Commission's Bureau of Insurance office in Richmond, Virginia is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number INS-2020-00010 finalizing this Report.

IN WITNESS WHEREOF, I have  
hereunto set my hand and affixed  
the official seal of this the Bureau  
at the City of Richmond, Virginia,  
this 11<sup>th</sup> March 2020.

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William Felvey  
Examiner in Charge

**MARKET CONDUCT EXAMINATION REPORT**

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COMPANY**

**AND**

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## **EXECUTIVE SUMMARY**

The examination was a targeted review of Bristol West Casualty Insurance Company and Bristol West Insurance Company's handling of their private passenger automobile forms used and claims filed in Virginia for the period beginning January 1, 2018 and ending December 31, 2018.

This is the third Market Conduct Examination the Bureau of Insurance (Bureau) has performed on these companies. The prior examinations were done in 2005 and 2010.

This examination revealed 183 violations and three general business practices (GBP). It should be noted that the companies did not have any forms violations.

The violations that rose to the level of a GBP were failure to disclose all applicable coverages to the insured, failure to offer the insured a fair and reasonable amount, and failure to pay Medical Expense Benefits (MEB) directly to an insured when no valid Assignment of Benefits (AOB) existed.

The Corrective Action Plan (CAP) requested that the companies disclose all coverages applicable to the loss to the insured, offer an amount that is fair and reasonable, only pay MEB directly to providers when there is a valid AOB. The companies should conduct an internal audit of past MEB and Uninsured Motorist Property Damage (UMPD) claims and report their findings to the Bureau. The CAP also requested that restitution of \$35,472.50 be made to 45 Virginia consumers.

## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a targeted examination has been made of the private passenger automobile claims and forms for Bristol West Casualty Insurance Company and Bristol West Insurance Company at the office of the State Corporation Commission, Bureau of Insurance in Richmond, Virginia.

The examination commenced March 4, 2019 and concluded July 24, 2019. Will Felvey, Brandon Ayers, and Daniel Koch, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on April 10, 2019 and was assigned the Action Number of VA-VA177-4. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

## COMPANY PROFILE\*

Bristol West Casualty Insurance Company (BWCIC) was incorporated in the state of Ohio as Reliant Casualty Insurance Company on April 19, 1999. Effective as of March 31, 2001, the company was acquired by Coast National Insurance Company. The company's current name was adopted on February 5, 2002. The company is licensed in four states.

Bristol West Insurance Company (BWIC) was incorporated in Pennsylvania on February 9, 1968 as Vista Insurance Company and commenced business on June 10, 1968. Effective as of March 31, 2001, the company was acquired by Coast National Insurance Company. The current title was adopted on November 21, 2001. The company re-domesticated from Pennsylvania to Ohio on September 27, 2006. In 2007, BWCIC and BWIC became a member of the Farmers Insurance Group of Companies. The company

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\* Source: Bristol West Companies.

is licensed in the District of Columbia and 38 states.

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date that the companies were licensed in Virginia except as noted in the table.

<b>GROUP CODE: 0069</b>	<b>BWCIC</b>	<b>BWIC</b>
NAIC Company Number	11034	19658
LICENSED IN VIRGINIA	8/17/2007	9/24/1969
LINES OF INSURANCE		
Accident and Sickness		10/21/1998
Aircraft Liability		10/21/1998
Aircraft Physical Damage		10/21/1998
Animal		10/21/1998
Automobile Liability	X	10/21/1998
Automobile Physical Damage	X	X
Boiler and Machinery		10/21/1998
Burglary and Theft		10/21/1998
Commercial Multi-Peril		10/21/1998
Credit		10/21/1998
Credit Accident & Sickness		10/21/1998
Credit Involuntary Unemployment		10/21/1998
Farmowners Multi-Peril		10/21/1998
Fidelity		10/21/1998
Fire		10/21/1998
General Liability		10/21/1998
Glass		10/21/1998
Homeowners Multi-Peril		10/21/1998
Inland Marine		10/21/1998
Legal Services		10/21/1998
Miscellaneous Property		10/21/1998
Ocean Marine		10/21/1998
Surety		10/21/1998
Water Damage		10/21/1998
Workers' Compensation		10/21/1998

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2018 for the line of insurance included in this examination.\*

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
<b>Bristol West Casualty Ins. Co.</b>		
Private Automobile Liability	\$2,912,045	.09%
Private Automobile Physical Damage	\$1,593,425	.06%
<b>Bristol West Ins. Co.</b>		
Private Automobile Liability	\$4,941,084	.15%
Private Automobile Physical Damage	\$1,700,327	.07%

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\* Source: The 2018 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.



## **SCOPE OF THE EXAMINATION**

The examination included a targeted review of the companies' private passenger automobile claims with a date of loss between January 1, 2018 and December 31, 2018. This review included claims handling and forms. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' operations were consistent with public interest.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance laws that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued in Virginia.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a GBP and are subject to a monetary penalty.

In Part Three, the examiners list Recommendations regarding the companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the companies engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

### **STATISTICAL SUMMARY**

The files selected for the review of claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

**Population**  
**Sample Requested**

AREA	BWCIC	BWIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Private Passenger Auto</b>							
<b>Claims</b>							
Auto <sup>1</sup>	<u>304</u> 60	<u>355</u> 86	<u>659</u> <b>146</b>	144	0	100	69%

Footnote<sup>1</sup> - Two claims were identified as New York Med/PIP claims and were not reviewed.

## **PART ONE – THE EXAMINERS’ OBSERVATIONS**

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

### **CLAIMS REVIEW**

#### **Private Passenger Automobile Claims**

The examiners reviewed 144 automobile claims for the period of January 1, 2018 through December 31, 2018. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$200 and underpayments totaling \$33,464.62. The net amount that should be paid to claimants is \$33,464.62 plus six percent (6%) simple interest.

- (1) The examiners found nine violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found 72 violations of 14 VAC 5-400-40 A. The company failed to disclose all pertinent benefits, coverages, or provisions of an insurance policy to the insured.
  - a. In two instances, the company failed to accurately inform an insured of the physical damage deductible when the file indicated that the coverage was applicable to the loss.
  - b. In three instances, the company failed to accurately inform an insured of the MEB coverage when the file indicated the coverage was applicable to the loss.

- c. In 33 instances, the company failed to accurately inform an insured of the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
- d. In 34 instances, the company failed to accurately inform an insured of the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM) when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found three violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 calendar days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.
- (4) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (5) The examiners found seven violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (6) The examiners found 47 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
  - a. In four instances, the company failed to pay the insured's UMPD claim

properly when Collision and/or UMPD coverages applied to the loss.

- b. In 18 instances, the company failed to pay the insured's rental benefits, available under the UMPD and/or UIM coverage.
- c. In 15 instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a first party total loss settlement.
- d. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's MEB coverage.
- e. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- f. In four instances, the company failed to pay the insured's Collision or Other Than Collision claim properly.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found one violation of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (8) The examiners found five violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
- (9) The examiners found two violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (10) The examiners found six violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable

settlement of a claim in which liability was reasonably clear.

- a. In two instances, the company unreasonably delayed payment to the insured.
  - b. In two instances, the company failed to pay the claimants collision damage waiver (CDW).
  - c. In two instances, the company failed to pay the claimants proper title fee.
- (11) The examiners found seven violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (12) The examiners found 22 violations of § 38.2-2201 D of the Code of Virginia. The company incorrectly paid the health care provider directly instead of the insured without a valid AOB.
- These findings occurred with such frequency as to indicate a general business practice.
- (13) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to pay the claim under the correct coverage.

#### **FORMS REVIEW**

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for the line of business listed below, the Bureau requested copies from

the companies.

**Automobile Forms**

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided 38 copies of forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

POLICY FORMS CURRENTLY USED BY THE COMPANY

The examiners found no additional forms to review.



## **PART TWO – CORRECTIVE ACTION PLAN**

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In forms, the Bureau applies a zero-tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

### **General**

Bristol West Casualty Insurance Company and Bristol West Insurance Company shall:

Provide a CAP with its response to the Report.

### **Claims Review**

Bristol West Casualty Insurance Company and Bristol West Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau, the attached file titled "Claims Underpayments Cited During the Examination." By returning the completed file to the Bureau, the Companies acknowledge that they have made the restitution listed in the file.
- (4) Document the claim file that all applicable coverages have been disclosed to the insured. Particular attention should be given to deductibles and rental benefits under UMPD, as well as Transportation Expenses coverage, and MEB coverage.
- (5) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy

provisions.

- (6) Obtain a written authorization from an insured prior to making MEB payments directly to the medical provider.
- (7) Based on the Bureau's examination of the Companies' MEB claims, the companies should conduct an internal audit of the MEB claims where the provider was paid directly without a valid AOB and make restitution to the insured where applicable. The Companies should complete the Bureau prepared spreadsheet indicating the payments made as a result of the internal audit.
- (8) Based on the Bureau's examination of the Companies' UMPD claims, the Companies should conduct an internal audit of the UMPD claims where the deductible was applied incorrectly when the at-fault party was identified and make restitution to insureds where applicable. The Companies should complete the Bureau prepared spreadsheet indicating the payments made as a result of the internal audit.

### **PART THREE – RECOMMENDATIONS**

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices.

#### **RECOMMENDATIONS**

We recommend that the companies take the following actions:

#### **Claims**

- Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.
- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within 15 calendar days.
- Notify the insured, in writing, every 45 calendar days of the reason for the company's delay in completing the investigation of the claim.
- Make all claim denials in writing and keep a copy of the written denial in the claim file.
- Provide copies of repair estimates prepared by or on behalf of the company to the claimants.
- Properly represent pertinent facts or insurance provisions relating to coverages at issue.
- Adopt and implement reasonable standards for the prompt investigation of claims.
- Adopt and implement reasonable standards for the prompt, fair, and equitable settlement of a claim in which liability and/or coverage is reasonably clear.
- Include a correct statement of coverage under which payments are made with all claim payments made to insureds.
- Make claim payments under the correct coverage.
- On UMPD claims, the company should note the deductible as \$200 to avoid any confusion between the shop, company, and insured when the insured pays the shop.

- Include in the total loss settlement letters any deductions taken for prior unrepaired damage.

### **Forms**

- Add the following to the bottom of the Reinstatement of Insurance form:  
“This endorsement must be attached to the Change Endorsement when issued after the policy is written.”

### **SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

The Virginia Bureau of Insurance conducted one prior market conduct examination of Bristol West Casualty Insurance Company and two prior market conduct examinations of Bristol West Insurance Company.

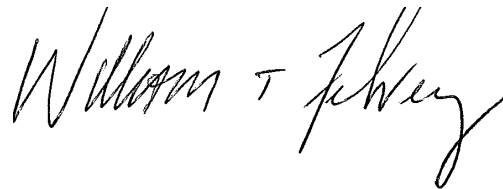
During the private passenger auto examination of Bristol West Casualty Insurance Company and Bristol West Insurance Company as of December 31, 2009, the company violated §§ 38.2-305 A, 38.2-305 B, 38.2-502, 38.2-510 A 1, 38.2-510 A 3, 38.2-510 A 10, 38.2-517 A 3, 38.2-604 B, 38.2-610 A, 38.2-1812, 38.2-1833, 38.2-1905 A, 38.2-1905 C, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2212 F, 38.2-2220, and 38.2-2234 of the Code of Virginia, and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code.

During the private passenger auto examination of Bristol West Insurance Company as of June 30, 2005, the company violated §§ 38.2-305 B, 38.2-510 A 10, 38.2-610 A, 38.2-1812, 38.2-1833, 38.2-1905 A, 38.2-1906 D, 38.2-2214, and 38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-40 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code.

**ACKNOWLEDGEMENT**

The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

A handwritten signature in black ink that reads "William T. Felvey". The signature is written in a cursive style with a large initial 'W' and a distinct 'T'.

William Felvey  
Senior Insurance Market Analyst

# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
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STATE CORPORATION COMMISSION  
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August 27, 2019

## VIA E-MAIL

Sakara Barnes  
Bristol West Group  
6301 Owensmouth Avenue  
Woodland Hills, CA 91367  
[Sakara.barnes@farmersinsurance.com](mailto:Sakara.barnes@farmersinsurance.com)

RE: Market Conduct Examination  
Bristol West Casualty Insurance Company, NAIC #11034  
Bristol West Insurance Company, NAIC #19658  
Examination Period: January 1, 2018–December 31, 2018

Dear Ms. Barnes:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above-referenced companies for the period of January 1, 2018 through December 31, 2018. The preliminary examination report (Report) has been drafted for the companies' review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn, or revised since July 24, 2019. Also enclosed are several technical reports that will provide you with the specific file references for the violations listed in the Report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the companies, I would urge you to closely review the Report. Please provide a written response. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the companies provide written documentation to support their position. When the companies respond, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The companies should use exhibits or appendices to reference such information. In addition, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report.

Secondly, the companies must provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

Thirdly, if the companies have comments they wish to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

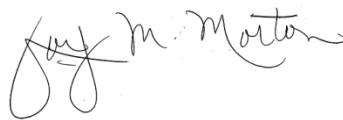
Finally, we have enclosed an Excel file that the companies must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by October 4, 2019.

After the Bureau has received and reviewed the companies' response, we will make any justified revisions to the Report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by October 4, 2019.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large initial "J" and "M".

Joy Morton, AMCM  
Manager  
Market Conduct Section  
Property & Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/pgh  
Enclosures



Bristol West Casualty Insurance Company  
Bristol West Insurance Company  
Bristol West Insurance Services of California, Inc.  
Bristol West Insurance Services, Inc. of Florida

Bristol West Insurance Services of Nevada  
Bristol West Preferred Insurance Company  
Bristol West Specialty Insurance Company  
Coast National General Agency, Inc.

Coast National Holding Company  
Coast National Insurance Company  
Insurance Data Systems, G.P.  
Security National Insurance Company

VIA ELECTRONIC MAIL

October 4, 2019

Joy Morton, AMCM  
BOI-Manager  
Market Conduct Section  
Virginia Bureau of Insurance  
1300 E. Main Street  
Richmond, VA 23219  
[Joy.morton@scc.virginia.gov](mailto:Joy.morton@scc.virginia.gov)

Re: Market Conduct Examination  
Bristol West Casualty Insurance Company, NAIC #11034  
Bristol West Insurance Company, NAIC # 19658  
Examination Period: January 1, 2018-December 31, 2018

Dear Ms. Morton,

Thank you for the Market Conduct Examination Report of Bristol West Casualty Insurance Company and Bristol West Insurance Company ("Examination Report") which we received on August 27, 2019. Before we address particular areas of the Examination Report, we wish to express that the Company seriously considers all insurance department examinations and the recommendation of the examiners. As set forth in this letter, we have made an effort to address the undisputed items in an expeditious and responsible matter.

**PART ONE – THE EXAMINERS' OBSERVATIONS**

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.



## **CLAIMS REVIEW**

### **Private Passenger Automobile Claims**

The examiners reviewed 144 automobile claims for the period of January 1, 2018 through December 31, 2018. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$200.00 and underpayments totaling \$42,438.12. The net amount that should be paid to claimants is \$42,438.12 plus six percent (6%) simple interest.

#### **Response Underpayments:**

In the case of Line 16, CPA047, ClaimVehPPA-2043687210, on the Bristol Restitution 9.30.19 Excel worksheet, we are of the opinion we do not owe reimbursement. As stated on the response to CPA047 on 5/6/19: "We reopened the claim, contacted the injured party and ascertained the other carrier paid his bills and he did not want to file a medical claim. Flo Dyson 5-6-19". A copy of the response and File Notes are attached for your review and consideration.

Please see Exhibit 1 CPA047 underpayment MedClaimVehPPA-2043687210 pdf. and Exhibit 2 CPA047 underpayment MedClaimVehPPA-2043687210 pdf.

## **PART TWO – CORRECTIVE ACTION PLAN**

Business practices and the error tolerance guidelines are determined in accordance with the guidelines contained in the NAIC Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In forms, the Bureau applies a zero-tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

## **General**

Bristol West Casualty Insurance Company and Bristol West Insurance Company shall:

Provide a Corrective Action Plan (CAP) with its response to the Report.

## **Claims Review**

Bristol West Casualty Insurance Company and Bristol West Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the Companies acknowledge that they have made the restitution listed in the file.

### **(1)(2)(3) Remedial Action - Company Response - Underpayments:**

We respectfully submit the Bristol West Companies Restitution underpayments which reflects payments for a claims total of \$12,340.17 including six percent (6%) simple interest.

We offer the following explanation as reason for the differences between the Claims Restitution Worksheet we are submitting and the amount requested to be paid.

Line 2, CPA001: During the exam under Check #1623603660 for \$1,378.00 was issued to the injured party on 4/25/19. Check # 1625010980 for \$398.05

additional balance of medical bills \$297.52 plus interest of \$100.53 on full amount of \$1,675.52. ( $\$1,378.00 + \$297.52 = \$1,675.52$  net to customer).  $\$1,675.52$  plus  $\$100.53 = \$1776.05$ . There is no outstanding balance or interest remaining.

Line 3, CPA002: Total medical bills on the claim are \$7,026.50. Check #1624032624 for \$6,000 was issued to the injured party during the exam on 6/13/19. Check #1625009618 - additional balance of medical bills in the amount of \$1,026.50 issued on 9/26/2019 plus \$421.59 issued on 9/26/2019, owed for interest on the total amount of \$7,026.50. There is no outstanding balance or interest remaining.

Line 4, CPA003: This is interest only. \$41.53 was previously paid during the exam on 4/22/19.

Line 5, CPA007: This is interest only. \$79.23 was previously paid during the exam on 5/1/19.

Line 6, CPA009: This is interest only. \$193.75 was previously paid during the exam on 4/26/19.

Line 7, CPA010: Direct Deposit was paid to the injured party on 9/26/2019. Check #1625001355 for \$1450.06 MEB previously paid during the exam plus \$87 interest = \$1,537.06. There is no balance or interest remaining.

Line 8, CPA012: This is interest only. \$316.60 was previously paid during the exam, 6/21/19.

Line 9, CPA017: Check #1623602320 for \$4,740.56 was paid to the injured party during the exam on 4/25/19 - Check #1625001799 for \$284.43, for interest was issued on 9/25/19. There is no balance or interest remaining.

Line 10, CPA020: Check #1623611611 for \$6,142.23 was issued to the spouse (injured party fatality) during the exam on 4/26/19 for payments made directly to the medical providers. Check #1625007614 for \$368.53 was issued on 9/26/2019 for interest owed. There is no outstanding balance or interest remaining.

Line 12, CPA037: This is interest only. \$79.03 was previously paid during the exam on 4/30/19.

Line 15, CPA045: There is a collision rental limit of \$900. We issued payment for the balance of the limits.

Line 16, CPA047: No medical bills were received. We confirmed the injured party incurred no out of pocket expenses or any bills.

Line 18, CPA051: Check #1623695828 for \$2,000 was issued to injured party during the exam on 5/7/19. Check #1625009343 issued on 9/26/2019 for remaining medical bill balance of \$2,000 and \$240.00 for interest owed. There is no outstanding balance or interest remaining.

Line 19, CPA053: Check #1623695631 for \$871.94 was issued to the injured party during the exam on 5/7/19. Direct Deposit - Check #1625009136 for \$52.32 was issued on 9/26/19 for interest owed. There is no outstanding balance or interest remaining.

Please see Exhibit 3 Final Copy of Bristol Restitution 9.30.19.xlsx.

## **PART TWO – CORRECTIVE ACTION PLAN**

- (4) Document the claim file that all applicable coverages have been disclosed to the insured. Particular attention should be given to deductibles and rental benefits under UMPD, as well as Transportation Expenses coverage, and MEB coverage.

### **Remedial Action:**

The Companies continue to reinforce claim best practices with all claims representatives. Individual infractions were addressed with the respective claims representative who remain in position. Supervisors have been reviewing claim files specific to these areas of concern since June 2019 and providing feedback on specific claim files. The weekly reviews will continue and then will move to a monthly review. Any and all deficiencies will be addressed individually and collectively.

The Supervisors were again apprised of the Findings on September 23, 2019 and will conduct an office meeting on October 10, 2019 to reinforce the expectations. An email was sent to all staff on September 27, 2019 summarizing the requirements.

- (5) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.

**Remedial Action:**

The Companies continue to reinforce claim best practices with all claims representatives. Individual infractions were addressed with the respective claims representative who remain in position. Supervisors have been reviewing claim files specific to these areas of concern since June 2019 and providing feedback on specific claim files. The weekly reviews will continue and then will move to a monthly review. Any and all deficiencies will be addressed individually and collectively.

The Supervisors were again apprised of the Findings on September 23, 2019 and will conduct an office meeting on October 10, 2019 to reinforce the expectations. An email was sent to all staff on September 27, 2019 summarizing the requirements.

- (6) Obtain a written authorization from an insured prior to making MEB payments directly to the medical provider.

**Remedial Action:**

The Companies continue to reinforce claim best practices with all claims representatives. Individual infractions were addressed with the respective claims representative who remain in position. Supervisors have been reviewing claim files specific to these areas of concern since August 2019 and providing feedback on specific claim files. Any and all deficiencies are addressed individually and collectively. Team meetings have been held and our resource material updated to include:

**Billing and Payments/Timing**

Bills are paid first in/first out subject to statute Va. Code. Ann. 38.2-2201. Payment should be made to providers with a valid assignment of benefits. Absent an assignment of benefits the insured is entitled to payment.

Payments should be made as soon as practicable directly to the insured (unless an AOB is on file), within and no later than 30 days.

- (7) Based on the Bureau's examination of the Companies' MEB claims, the companies should conduct an internal audit of the MEB claims where the provider was paid directly without a valid AOB and make restitution to the insured where applicable. The Companies should complete the Bureau

prepared spreadsheet indicating the payments made as a result of the internal audit.

**Remedial Action:**

We are in the process of conducting the internal audit and have an expectation of completion and submission to the VA BOI by November 20, 2019.

- (8) Based on the Bureau's examination of the Companies' UM claims, the Companies should conduct an internal audit of the UM claims where the deductible was applied incorrectly when the at-fault party was identified and make restitution to insureds where applicable. The Companies should complete the Bureau prepared spreadsheet indicating the payments made as a result of the internal audit.

**Remedial Action:**

We are in the process of conducting the internal audit and have an expectation of completion and submission to VA BOI by November 20, 2019.

**PART THREE – RECOMMENDATIONS**

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices.

**RECOMMENDATIONS**

We recommend that the companies take the following actions:

**Claims**

- Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

It is the Companies general business practice to document claim files so that all events and dates pertinent to the claim can be reconstructed. The Company will remind Claim Handlers periodically of what information must be documented in the file.

- Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within 15 calendar days.

It is the Companies general business practice to reply to communications from insureds and claimants within 15 calendar days. The Company will remind Claim Handlers periodically in addition to addressing any training needs individually or collectively as a result of a file review.

- Notify the insured, in writing, every 45 calendar days of the reason for the company's delay in completing the investigation of the claim.

It is the Companies general business practice to reply to and provide a status to insureds and claimants within 45 calendar days. The Company will remind Claim Handlers periodically in addition to addressing any training needs individually or collectively as a result of a file review.

- Make all claim denials in writing and keep a copy of the written denial in the claim file.

It is the Companies general business practice to reply to and maintain a copy of a written denial in the claim file. The Company will remind Claim Handlers periodically in addition to addressing any training needs individually or collectively as a result of a file review.

- Provide copies of repair estimates prepared by or on behalf of the company to the claimants.

It is the Companies general business practice to provide a copy of the repair estimates in the claim file. The Company will remind Claim Handlers periodically in addition to addressing any training needs individually or collectively as a result of a file review.

- Properly represent pertinent facts or insurance provisions relating to coverages at issue.

It is the Companies general business practice to advise provisions of coverage to insureds and claimants. The Company will remind

Claim Handlers periodically in addition to addressing any training needs individually or collectively as a result of a file review.

- Adopt and implement reasonable standards for the prompt investigation of claims.

The Companies have a general business practice for the prompt investigation of claims. The Company will remind Claim Handlers periodically in addition to addressing any training needs individually or collectively as a result of a file review.

- Adopt and implement reasonable standards for the prompt, fair, and equitable settlement of a claim in which liability and/or coverage is reasonably clear.

The Companies have a general business practice for the prompt, equitable and fair settlement of claims. The Company will remind Claim Handlers periodically in addition to addressing any training needs individually or collectively as a result of a file review.

- Include a correct statement of coverage under which payments are made with all claim payments made to insureds.

The Company has migrated to a new claim system which includes this enhancement.

- Make claim payments under the correct coverage.

The Company has migrated to a new claim system which includes this enhancement.

- On UMPD claims the company should note the deductible as \$200 to avoid any confusion between the shop, company, and insured when the insured pays the shop.

This recommendation has been taken under advisement.

- Include in the total loss settlement letters any deductions taken for prior unrepaired damage.

This recommendation has been taken under advisement.



## Forms

- Add the following to the bottom of the Reinstatement of Insurance form: “This endorsement must be attached to the Change Endorsement when issued after the policy is written.”

[The Company accepts the Bureau’s recommendation and has submitted a project to make this change.](#)

We respectfully request that further consideration be given for the above referenced items in the course of drafting a final report. We thank the Bureau for their professionalism shown throughout the examination.

Respectfully,

Sakara Barnes  
Regulatory Affairs  
6301 Owensmouth Ave.  
Woodland Hills, CA 91367  
[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)

# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
1300 E. MAIN STREET  
RICHMOND, VIRGINIA 23219  
TELEPHONE: (804) 371-9741  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

October 31, 2019

## VIA UPS 2<sup>nd</sup> DAY DELIVERY

Sakara Barnes  
Bristol West Group  
6301 Owensmouth Avenue  
Woodland Hills, CA 91367

RE: Market Conduct Examination  
Bristol West Casualty Insurance Company, # 11034  
Bristol West Insurance Company, # 19658  
Examination Period: January 1, 2018 – December 31, 2018

Dear Ms. Barnes:

The Bureau of Insurance (Bureau) has reviewed the October 4, 2019 response to the Preliminary Market Conduct Report (Report) of Bristol West Casualty Insurance Company and Bristol West Insurance Company (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Private Passenger Automobile Claims

- (6d) The violation of CPA047, remains in the Report. The Company denied the injured insured benefits under the Medical Expense Benefits Coverage (MEB) of his policy due to a coverage analysis of an unrelated policy, that was included in the claim file. The policy that was incorrectly referenced did not include MEB coverage; however, the insured's policy did include MEB coverage with a stacked limit of \$8,000. The Company issued a written denial to the injured insured based upon the policy which should not have been in the claim file. It was only after the BOI reviewed the claim file and cited the Company for the violation that the Company reached out to the injured insured. It was at this point that the insured advised that his special(s) had been handled by the adverse party and "he did not want to file a medical claim." The Company should contact the insured and advise that although the adverse carrier paid the medical bills the insured is able to collect the same payments from the MEB coverage under his automobile coverage. The Company should provide a copy of the correspondence sent to the insured when responding to this letter.

## PART TWO – CORRECTIVE ACTION PLAN

### Claims Review

- (3) Please provide the check numbers and the date the checks were issued prior to receiving the Preliminary Report. The spreadsheet should reflect the total restitution paid on each claim.

The Company still needs to reimburse the insured \$203.33 for CPA020. The Company has failed to address the underpayment related to the repair of the insured vehicle as noted in review sheet number ClaimVehPPA 529413126.

The Company still needs to pay the six percent simple interest of \$19.22 for Bureau reference number CPA045.

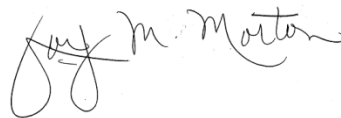
Please confirm, that the insured's health insurance did not pay any of the medical expenses for CPA047.

The Company has failed to make the restitution for CPA113. The net refund was calculated at \$1,065.30, yet, the Company released only \$10.60. The Company has failed to address what the \$10.60 restitution represents.

- (4-5) Please provide a copy of the September 27, 2019 e-mail sent to the staff summarizing the requirements of the Uninsured Motorist (UM) and/or MEB coverages, please confirm that the October 10, 2019 meeting did occur, and provide copies of materials that were distributed at this meeting.
- (6) Please provide the date(s) of the team meeting(s) and provide copies of any materials that were distributed at these meetings that are in addition to the updated resource material quoted in the Company's response.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet. The Companies' response to this letter is due in the Bureau's office by November 27, 2019.

Sincerely,



Joy M. Morton  
Manager  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

Enclosure

**From:** [Sakara Barnes](#)  
**To:** [William Felvey](#)  
**Cc:** [Joy Morton](#); [Flo Dyson](#)  
**Subject:** RE: VA BW Preliminary Response  
**Date:** Tuesday, December 3, 2019 5:33:09 PM  
**Attachments:** [VA BW MCE 12.3.19.zip](#)

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Good afternoon Will.

Please see attached.

Thank you.

Sakara Barnes, MCM  
Regulatory Affairs Specialist II

Farmers Insurance  
6301 Owensmouth Avenue, Woodland Hills, CA 91367  
Ph: 818-965-0422  
[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)

"Contents of this message may be privileged and confidential"

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**From:** William Felvey [mailto:William.Felvey@scc.virginia.gov]  
**Sent:** Tuesday, December 3, 2019 7:28 AM  
**To:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>  
**Cc:** Joy Morton <[Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)>; Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Subject:** [EXTERNAL] RE: VA BW Preliminary Response

Good Morning Sakara,

In terms of the attached Company response, the PDF and spreadsheet are imbedded into the word document with the icon to same appearing. Considering the Company's response will become a public document once the market conduct examination is concluded with the Settlement Order, please remove the imbedded PDF's and spreadsheet icons from the Response. I would request that you attach same to the Company's response and in the body of the Response, please refer to the document (PDF and/or spreadsheet) [you can label the attached docs for reference].

Please revise per the above and resubmit and we will review.

Please let me know if you have any questions.

Thanks,

Will

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**From:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>

**Sent:** Wednesday, November 27, 2019 7:10 PM  
**To:** William Felvey <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Cc:** Joy Morton <[Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)>; Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Subject:** VA BW Preliminary Response

Good afternoon Will.

Please find attached our response to the revised Preliminary Report. Let us know if you have any questions.

Happy Thanksgiving!

Sincerely,

Sakara Barnes, MCM  
Regulatory Affairs Specialist II

Farmers Insurance  
6301 Owensmouth Avenue, Woodland Hills, CA 91367  
Ph: 818-965-0422  
[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)

"Contents of this message may be privileged and confidential"

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## PART ONE – EXAMINERS’ OBSERVATIONS

### Private Passenger Automobile Claims

(6d) The violation of CPA047, remains in the Report. The Company denied the injured insured benefits under the Medical Expense Benefits Coverage (MEB) of his policy due to a coverage analysis of an unrelated policy, that was included in the claim file. The policy that was incorrectly referenced did not include MEB coverage; however, the insured’s policy did include MEB coverage with a stacked limit of \$8,000. The Company issued a written denial to the injured insured based upon the policy which should not have been in the claim file. It was only after the BOI reviewed the claim file and cited the Company for the violation that the Company reached out to the injured insured. It was at this point that the insured advised that his special(s) had been handled by the adverse party and “he did not want to file a medical claim.” The Company should contact the insured and advise that although the adverse carrier paid the medical bills the insured is able to collect the same payments from the MEB coverage under his automobile coverage. The Company should provide a copy of the correspondence sent to the insured when responding to this letter.

A copy of the File Notes documenting the contact with the insured regarding the medical bills and a copy of the two letters sent to the insured advising to send us his medical bills if he ever receives them is attached for your review and consideration. Reference Exhibit 1, Exhibit 2 and Exhibit 3.

## PART TWO – CORRECTIVE ACTION PLAN

### Claims Review

- (3) Please provide the check numbers and the date the checks were issued prior to receiving the Preliminary Report. The spreadsheet should reflect the total restitution paid on each claim.

The updated spreadsheet is attached. Reference Exhibit 4.

The Company still needs to reimburse the insured \$203.33 for CPA020, The Company has failed to address the underpayment related to the repair of the insured vehicle as noted in review sheet number ClaimVehPPA 529413126.

The payment was issued prior to the receipt of the Preliminary Report. We have updated the Restitution Worksheet to include the details. “Check #1623613982 for \$203.33 was issued on 4/26/2019. An interest payment of \$12.22 was issued (Check #1625484458).”

See Exhibit 4.

The Company still needs to pay the six percent simple interest of \$19.22 for Bureau reference number CPA045.

Payment was issued on 11/14/2019. The spreadsheet is updated with the details. “This is collision with rental limit of \$900, issuing payment on 9/26/2019 of \$379.34 (Check #1625014058) for balance of limits. Interest payment of \$19.22 issued 11/14/19 with Check #1625483539. \$398.56 represents both checks combined.”

See Exhibit 4.

The Company has failed to make the restitution for CPA113. The net refund was calculated at \$1,065.30, yet, the Company released only \$10.60. The Company has failed to address what the \$10.60 restitution represents.

\$10.60 is a typo. The spreadsheet has been updated. "Check #1625002589 in the amount of \$1,060.00 was issued to William Sloan to represent the MEB benefits owed plus interest."

See Exhibit 4.

- (4-5) Please provide a copy of the September 27, 2019 e-mail that was sent to the staff summarizing the requirements of the Uninsured Motorist (UM) and/or MEB coverages, please confirm that the October 10, 2019 meeting did occur, and provide copies of materials that were distributed at this meeting.

A copy of the September 27, 2019 email regarding requirements of UM coverages is attached. The October 10 meeting did not occur until October 15. A copy of the email and materials distributed are attached. Reference Exhibit 5, 6, 7 and 8.

- (6) Please provide the date(s) of the team meeting(s) and provide copies of any materials that were distributed at these meetings that are in addition to the updated resource material quoted in the Company's response.

The Supervisors have daily stand up meetings, rather than weekly team meetings. The leadership group meet on Thursdays. Compliance with Virginia regulations and statutes was discussed on 4/18/19, 5/2/19, 8/22/19, 9/5/19 and 10/10/19. The supervisors cover what is discussed in the Thursday meetings on Friday or the following Monday. In addition, the Virginia UMPD and MEB claims are being reviewed by a supervisor with an emphasis on compliance to the regulations and statutes.



# COMMONWEALTH OF VIRGINIA



**SCOTT A. WHITE**  
**COMMISSIONER OF INSURANCE**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

**P.O. BOX 1157**  
**RICHMOND, VIRGINIA 23218**  
**1300 E. MAIN STREET**  
**RICHMOND, VIRGINIA 23219**  
**TELEPHONE: (804) 371-9741**  
**[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)**

December 11, 2019

## **VIA E-MAIL DELIVERY**

Sakara Barnes  
Bristol West Group  
6301 Owensmouth Avenue  
Woodland Hills, CA 91367

RE: Market Conduct Examination  
Bristol West Casualty Insurance Company, NAIC #11034  
Bristol West Insurance Company, NAIC #19658  
Examination Period: January 1, 2018 – December 31, 2018

Dear Ms. Barnes:

The Bureau of Insurance (Bureau) has reviewed the December 3, 2019 response to the Preliminary Market Conduct Report (Report) of Bristol West Casualty Insurance Company and Bristol West Insurance Company (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings or items that have changed in the Report. This response follows the format of the Report.

## **PART TWO – CORRECTIVE ACTION PLAN**

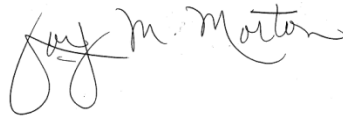
### **Claims Review**

- (3) Please confirm, that the insured's health insurance did not pay any of the medical expenses for CPA047.

The Company failed to make full restitution for CPA113. The undercharge amount was \$1,005 and the interest was \$60.30. The net refund was calculated at \$1,065.30, yet, the Company released only \$1,060. The Company should pay the balance of \$5.30.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, and Restitution spreadsheet. The Companies' response to this letter is due in the Bureau's office by December 30, 2019.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" being the most prominent.

Joy M. Morton  
Manager  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/pgh  
Enclosure

**From:** [Joy Morton](#)  
**To:** [Pam Henry](#)  
**Subject:** FW: Market Conduct Report  
**Date:** Monday, January 27, 2020 4:15:34 PM

---

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**From:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>  
**Sent:** Saturday, December 21, 2019 11:42 AM  
**To:** Joy Morton <[Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)>; William Felvey <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Cc:** Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Subject:** RE: Market Conduct Report

Dear Joy,

Thank you for your patience and for bringing this matter to our attention. With respect to CPA113, the payment of \$5.30 was made on 12/20/19 by check # 1625803735.

Sincerely,

Sakara Barnes, MCM  
Regulatory Affairs Specialist II

Farmers Insurance  
6301 Owensmouth Avenue, Woodland Hills, CA 91367  
Ph: 818-965-0422  
[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)

"Contents of this message may be privileged and confidential"

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**From:** Joy Morton [<mailto:Joy.Morton@scc.virginia.gov>]  
**Sent:** Tuesday, December 17, 2019 8:23 AM  
**To:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>; WILLIAM FELVEY (Contractor) <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Cc:** Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Subject:** [EXTERNAL] RE: Market Conduct Report

Sakara:

You have not responded to the December 16, 2019 email. The email requested the additional \$5.30 restitution for CPA113. We saw that the \$1060 payment was made with the prior response, but the payment should have been \$1065.

JOY

---

**From:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>  
**Sent:** Tuesday, December 17, 2019 11:07 AM

**To:** Joy Morton <[Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)>; William Felvey <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Cc:** Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Subject:** RE: Market Conduct Report

Dear Joy,

Please find attached our response to your email dated December 16, 2019.

Thank you.

Sakara Barnes, MCM  
Regulatory Affairs Specialist II

Farmers Insurance  
6301 Owensmouth Avenue, Woodland Hills, CA 91367  
Ph: 818-965-0422  
[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)

"Contents of this message may be privileged and confidential"

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**From:** Joy Morton [<mailto:Joy.Morton@scc.virginia.gov>]  
**Sent:** Monday, December 16, 2019 5:36 AM  
**To:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>; Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Cc:** WILLIAM FELVEY (Contractor) <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Subject:** [EXTERNAL] FW: Market Conduct Report

Sakara:

We are in receipt of your response. The restitution spreadsheet initially sent to you was changed at some point. The attached is what we initially sent to the company. You will note on the excel spreadsheet it was \$1005.00 for CPA113. We didn't send a revised spreadsheet with the second response. The company should make the outstanding \$5.30, we will then be in a position to close this examination.

---

**From:** Joy Morton  
**Sent:** Tuesday, August 27, 2019 2:19 PM  
**To:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>; Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Cc:** William Felvey <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Subject:** Market Conduct Report

Sakara:

Attached is the report for the market conduct examination. Also included are technical reports that provide an itemization of the violations cited, a table of all of the over/underpayments, the

restitution spreadsheet and the accompanying cover letter indicating the format for your response as well as the requested response due date.

Should you have any questions please feel free to contact me.

**Joy Morton, AMCM**  
**BOLI-Manager**  
**Property and Casualty Division**  
**Market Conduct Section**  
**(804)371-9540**  
[Joy.morton@scc.virginia.gov](mailto:Joy.morton@scc.virginia.gov)

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# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
1300 E. MAIN STREET  
RICHMOND, VIRGINIA 23219  
TELEPHONE: (804) 371-9741  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

January 8, 2020

## VIA UPS 2<sup>nd</sup> DAY DELIVERY

Sakara Barnes  
Bristol West Group  
6301 Owensmouth Avenue  
Woodland Hills, CA 91367

RE: Market Conduct Examination  
Bristol West Casualty Insurance Company, NAIC #11034  
Bristol West Insurance Company, NAIC #19658  
Examination Period: January 1, 2018 – December 31, 2018

Dear Ms. Barnes:

The Bureau of Insurance (Bureau) has reviewed the December 21, 2019 response to the Revised Market Conduct Report (Report) of the above referenced Companies. The Bureau has referenced the only outstanding item that the Companies have not finalized.

## PART ONE – EXAMINERS’ OBSERVATIONS

### Claims

(6d) The underpayment for CPA047 is still unresolved. In our October 31, 2019 correspondence the Bureau requested that the Company reach out to the insured and advise that even though the medical was covered by the adverse carrier the insured was still entitled to collect under his medical expense benefits (MEB) coverage. In Virginia the insured can triple dip for MEB claims. This means the bill can be paid by the insured’s health care carrier, the adverse party and under his MEB coverage on his Bristol West policy. The November 4, 2019 letter sent to the insured did not advise the insured that they were able to collect under the MEB coverage in addition to what had already been paid. In our December 11, 2019 correspondence the Bureau

requested evidence that no medical bills had been paid on this claim. If medical bills have been paid by any carrier other than Bristol West, the insured should be paid that same amount up to the stacked MEB limit (\$6,000) by Bristol West.

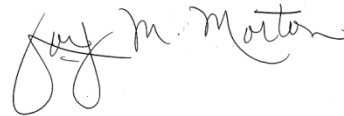
## **PART TWO – CORRECTIVE ACTION PLAN**

### **Automobile Claims**

- (3) The Company should make the outstanding MEB payment on CPA047.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by January 17, 2020.

Sincerely,



Joy M. Morton  
Manager  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

Enclosures

**From:** [Joy Morton](#)  
**To:** [Pam Henry](#)  
**Subject:** FW: Finalizing the Market Conduct Report  
**Date:** Wednesday, January 22, 2020 12:41:45 PM  
**Attachments:** [3011951587-1 - Jan 10 2020 Letter to Insured.pdf](#)

---

**From:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>  
**Sent:** Monday, January 13, 2020 12:03 PM  
**To:** Joy Morton <[Joy.Morton@scc.virginia.gov](mailto:Joy.Morton@scc.virginia.gov)>; William Felvey <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Cc:** Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Subject:** RE: Finalizing the Market Conduct Report

Good morning Joy,

Thank you for bringing this matter to our attention and we appreciate the opportunity to respond. Please see attached letter in response to the Bureau's January 8, 2020 letter. Please let us know if you have any questions.

Sincerely,

Sakara Barnes, MCM  
Regulatory Affairs Specialist II

Farmers Insurance  
6301 Owensmouth Avenue, Woodland Hills, CA 91367  
Ph: 818-965-0422  
[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)

"Contents of this message may be privileged and confidential"

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**From:** Joy Morton [<mailto:Joy.Morton@scc.virginia.gov>]  
**Sent:** Wednesday, January 8, 2020 7:47 AM  
**To:** Sakara Barnes <[sakara.barnes@farmersinsurance.com](mailto:sakara.barnes@farmersinsurance.com)>; Flo Dyson <[floda.dyson@farmersinsurance.com](mailto:floda.dyson@farmersinsurance.com)>  
**Cc:** WILLIAM FELVEY (Contractor) <[William.Felvey@scc.virginia.gov](mailto:William.Felvey@scc.virginia.gov)>  
**Subject:** [EXTERNAL] Finalizing the Market Conduct Report

Sakara:

We attempting to close this exam, but there is still one outstanding issue. Please see the attached letter and respond as soon as possible.

**JOY MORTON, AMCM**  
**BOI MANAGER**  
**P&C MARKET CONDUCT**



(804)371-9540

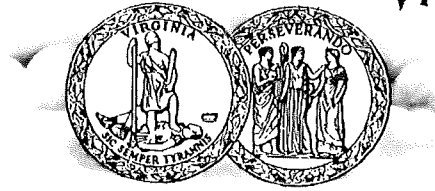
[JOY.MORTON@SCC.VIRGINIA.GOV](mailto:JOY.MORTON@SCC.VIRGINIA.GOV)

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# COMMONWEALTH OF VIRGINIA

SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



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RICHMOND, VIRGINIA 23219  
TELEPHONE: (804) 371-9741  
[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)

January 27, 2020

## VIA E-MAIL DELIVERY

Sakara Barnes  
Bristol West Group  
6301 Owensmouth Avenue  
Woodland Hills, CA 91367  
[Sakara.barnes@farmersinsurance.com](mailto:Sakara.barnes@farmersinsurance.com)

RE: Bristol West Casualty Insurance Company, NAIC #11034  
Bristol West Insurance Company, NAIC #19658  
Market Conduct Examination  
Examination Period: January 1, 2018 – December 31, 2018

Dear Ms. Barnes:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of January 13, 2020. Based upon the Bureau's review of the companies' correspondence, we are now in a position to conclude this examination. Attached is the final Market Conduct Examination Report of Bristol West Casualty Insurance Company and Bristol West Insurance Company (Report).

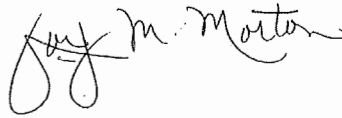
Based on the Bureau's review of the Report and the Companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Section 38.2-2201 D of the Code of Virginia; and 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in cursive script that reads "Joy M. Morton". The signature is written in black ink and is positioned above the typed name and contact information.

Joy M. Morton  
Manager  
Market Conduct Section  
Property and Casualty Division  
(804) 371-9540  
[joy.morton@scc.virginia.gov](mailto:joy.morton@scc.virginia.gov)

JMM/pgh  
Attachment



Bristol West Casualty Insurance Company  
Bristol West Insurance Company  
Bristol West Insurance Services of California, Inc.  
Bristol West Insurance Services, Inc. of Florida

Bristol West Insurance Services of Nevada  
Bristol West Preferred Insurance Company  
Bristol West Specialty Insurance Company  
Coast National General Agency, Inc.

Coast National Holding Company  
Coast National Insurance Company  
Insurance Data Systems, G.P.  
Security National Insurance Company

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February 11, 2020

Rebecca Nichols  
Deputy Commissioner  
Property and Casualty Division  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218

STATE CORP COMMISSION  
BUREAU OF INSURANCE  
09 FEB 25 AM 9:29

Re: Market Conduct Examination Settlement Offer  
Ecase/Docket Number: INS-2020-00010

Dear Ms. Nichols,

This will acknowledge receipt of the Bureau of Insurance's letter dated February 6, 2020, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of §38.2-2201 D of the Code of Virginia and 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

- 1) We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$56,400.
- 2) We agree to comply with the corrective action plan set forth in the companies' letters of October 4 and December 3, 2019 and e-mails of December 21, 2019 and January 13, 2020.
- 3) We confirm that restitution of \$35,472.50 was made to 45 Virginia consumers in accordance with the companies' letters of October 4 and December 3, 2019 and e-mails of December 21, 2019, January 13, 2020 and the February 5, 2020 email.
- 4) We further acknowledge the companies' right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporate Commission accepts this offer of settlement.

Rockside Center III – 5990 West Creek Road, Independence, OH 44131  
Toll Free: 888-888-0080 Fax: 888-888-0070



Bristol West Casualty Insurance Company  
Bristol West Insurance Company  
Bristol West Insurance Services of California, Inc.  
Bristol West Insurance Services, Inc. of Florida

Bristol West Insurance Services of Nevada  
Bristol West Preferred Insurance Company  
Bristol West Specialty Insurance Company  
Coast National General Agency, Inc.

Coast National Holding Company  
Coast National Insurance Company  
Insurance Data Systems, G.P.  
Security National Insurance Company

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This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as an admission of any violation of law.

Sincerely,

Bristol West Casualty Insurance Company, # 11034  
Bristol West Insurance Company # 19658

A handwritten signature in black ink, appearing to be 'Jim Taylor', is written over a horizontal line.

(Signed)

Jim Taylor

Chief Claims Compliance Officer

February 11, 2020

Enclosure

# COMMONWEALTH OF VIRGINIA



**SCOTT A. WHITE**  
**COMMISSIONER OF INSURANCE**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

**P.O. BOX 1157**  
**RICHMOND, VIRGINIA 23218**  
**1300 E. MAIN STREET**  
**RICHMOND, VIRGINIA 23219**  
**TELEPHONE: (804) 371-9741**  
**[www.scc.virginia.gov/boi](http://www.scc.virginia.gov/boi)**

Bristol West Casualty Insurance Company and Bristol West Insurance Company have tendered to the Bureau of Insurance the settlement amount of \$56,400 by their check numbered 3011906578 and dated February 24, 2020, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 11, 2020

SCC-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER

2020 MAR 11 P 2: 23

2020320096

COMMONWEALTH OF VIRGINIA, *ex rel.*  
STATE CORPORATION COMMISSION

v.

CASE NO. INS-2020-00010

BRISTOL WEST CASUALTY INSURANCE  
COMPANY  
and  
BRISTOL WEST INSURANCE COMPANY,  
Defendants

SETTLEMENT ORDER

Based on a market conduct examination conducted by the Bureau of Insurance ("Bureau"), it is alleged that Bristol West Casualty Insurance Company and Bristol West Insurance Company (collectively, the "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated § 38.2-2201 D of the Code of Virginia ("Code") by failing to obtain a valid Assignment of Benefits from the insured authorizing direct payment to the health care provider; as well as 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.* of the Virginia Administrative Code, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

202003200006

The Defendants have been advised of the right to a hearing in this matter whereupon the Defendants, without admitting or denying any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have agreed to comply with the corrective action plans outlined in company correspondence dated October 4, 2019, December 3, 2019, December 21, 2019, and January 13, 2020; have confirmed that restitution was made to 45 consumers in the amount of Thirty-five Thousand Four Hundred Seventy Two Dollars and Fifty Cents (\$35,472.50); have tendered to the Treasurer of Virginia the sum of Fifty-six Thousand Four Hundred Dollars (\$56,400); and have waived the right to a hearing.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.
- (2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Sakara Barnes, Bristol West Group, 6301 Owensmouth Avenue, Woodland Hills, California 91367; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Rebecca Nichols.