

2002 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

**BRISTOL WEST INSURANCE COMPANY
(BRISTOL WEST INSURANCE GROUP)**

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 1/23/04



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EXECUTIVE SUMMARY

Bristol West Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination. The scope of this examination was June 1, 2001 through November 16, 2002. The examination began September 2, 2002 and ended November 23, 2002. This is the first property and casualty market conduct examination of this insurer conducted by the Florida Department of Insurance.

The purpose of this examination was to review the issues behind the volume of consumer complaints received by the Department of Insurance. From a review of the consumer complaints filed against the Company, the Department focused on claim delays, untimely return of unearned premium due to cancellation and rating issues.

A total of three hundred and twenty (320) files were examined for this Company with sixty-seven (67) errors identified. The following represents general findings; however, specific details are found in each section of the report.

Files Reviewed -- 320

- Thirty-five (35) complaint files
- One hundred (100) private passenger automobile files
- One hundred (100) cancellation and nonrenewal files
- Eighty-five (85) claim files

Findings

- Complaints – six (6) errors.
 - Four (4) errors were due to failure to act promptly upon communications with claimants relative to their claims
 - One (1) error was due to misrepresentation of pertinent facts or insurance policy provisions relating to coverages at issue
 - One (1) error was due to failure to disclose information
- Private Passenger Automobile – Fifty-four (54) errors
 - Sixteen (16) errors were due to failure to maintain records
 - Thirty-eight (38) errors were due to failure to advise the applicant adversely affected by a credit report/score of the adverse effect and the means by which to obtain a copy of the credit report/score
- Cancellations and nonrenewals – seven (7) errors
 - Seven (7) errors were due to failure to give a valid reason for cancellation of a private passenger automobile policy in effect for more than sixty (60) days.

Corrective Actions

- Requested that the Company implement procedures for advising any insured adversely affected by a credit report/score of the adverse effect and the means of obtaining a copy of such credit report/score
- Requested that the Company implement procedures to obtain and furnish completely documented files in a timely manner
- Requested that the Company cease the cancellation of private passenger automobile policies in effect for more than sixty (60) days for invalid reasons

The Company was requested to provide the Florida Department of Insurance with documentation that all corrective actions have been taken and all refunds made within ninety (90) days of receipt of the examination report.

CERTIFICATE OF AUTHORITY – AUTHORIZED LINES

GENERAL COMMENTS

The Certificate of Authority and Renewal Invoices were reviewed for all years within the scope of the examination.

EXAM FINDINGS

The review included verification of the lines of business the Company was authorized to write during the scope of the examination versus those lines actually being written. It also included verification that notification requirements were met for any lines of business that were discontinued.

No errors were found.

COMPANY OPERATIONS/MANAGEMENT

HISTORY/MANAGEMENT

Bristol West Insurance Company (Company) is wholly-owned by Coast National Insurance Company. The Company was originally incorporated in 1968 in Michigan as Vista Insurance Company. In January 1997, the name was changed to L.H.I.W. Insurance Company, and in December 1997, Reliance Insurance Company purchased L.H.I.W. Insurance Company. Following the acquisition by Reliance Insurance Company, the name was changed to Reliant Insurance Company. The Reliant Insurance Company was admitted to Florida in August 1999. In December 2000, Reliant Insurance Company was redomesticated to Pennsylvania and in March 2001, acquired by Coast National Insurance Company and became a member of the Bristol West Insurance Group. The Reliant Insurance Company name was changed to Bristol West Insurance Company in November 2001. The Company's main administrative office is located in Davie, Florida.

The Company markets its non-standard private passenger automobile insurance coverages through Bristol West Insurance Services, Inc., of Florida, an affiliated managing general agent. Claims administration is handled through Apex Adjustment Bureau, Inc., also an affiliate of the Bristol West Insurance Group.

The following is a list of the Company's corporate officers:

Robert D. Sadler	President
Audrey E. Sylvan	Vice President
Jeffrey J. Dailey	Vice President
Nila J. Harrison	Vice President
John L. Ondeck	Vice President
Edward J. Steinman	Vice President
Alexis S. Oster	Secretary
Randy D. Sutton	Treasurer

COMPANY PROCESSES/STATISTICAL AFFILIATIONS

Computer System

The Company's core premium computer system runs on an IBM AS/400. The Company utilizes its system for the processing of all policies using a commercially purchased program. The computer system is also utilized for the handling of all claims using an internally developed program.

Anti-Fraud Plan

The Company has filed a Plan with the Florida Department of Insurance as required by Section 626.9891, Florida Statutes.

The Plan does meet the requirements by establishing a Special Investigation Unit. The Company's claims representatives refer any suspicious claims to the Special Investigation Unit (SIU). The SIU then investigates each claim to determine if fraudulent activity is involved. On claims where there is a belief that an act of fraud has occurred, referrals are made by the SIU to the State of Florida, Division of Insurance Fraud, in compliance with Section 626.989(6), Florida Statutes. The Company's SIU also files the appropriate report with the National Insurance Crime Bureau.

Disaster Recovery Plan

The Company has developed a Disaster Recovery Plan for use with Florida business. The Plan details the strategies, procedures and resources to be used to respond to any type of business interruption to facilitate a return to essential business operations as quickly as possible.

Internal Audit Procedures

The Company has developed an Internal Audit Plan and uses auditors to test the internal controls of financial and operational areas to detect and prevent fraud. The Company's Special Investigation Unit conducts all investigations relating to any suspected fraudulent act on the part of a Company employee.

Privacy Plan

The Company has developed a Plan to meet the requirements of Rule 4-128.005 and Rule 4-128.006, Florida Administrative Code. The Privacy notice is printed and mailed with all new policies and annually with all renewal policies.

Statistical Affiliations

The Company independently files its own rules, rates and forms. The Company is a member of the National Association of Independent Insurers (NAII).

Credit Reports

The Company uses Credit Reports as an underwriting tool. The Credit Report is not used as the primary or sole underwriting tool, but rather is used in conjunction with other rating criteria as a surcharge or credit to the policy premium. The surcharge or credit applied is dependent upon the credit score. The Company does not use credit as a factor in determining acceptability or tier placement.

OPERATIONS/MARKETING

Marketing

The Company writes non-standard automobile insurance throughout the State of Florida. No change has occurred in the business operations of the Company since it began writing insurance in the State of Florida.

Agents/Agencies/MGA/Exchange of Business/Direct Response/Internet/Adjusters and Claims Handling

The Company writes business in Florida through Bristol West Insurance Services, Inc., of Florida, an affiliated licensed and appointed managing general agent (MGA). The MGA is responsible for the selection of agents who are licensed and appointed in the State of Florida to market the Company's lines of business to the public.

The Company uses an affiliate, Apex Adjustment Bureau, Inc., to handle its claims. The adjusters for this firm are properly licensed and appointed by the State of Florida.

Lines of Business

During the scope of this examination, the Company wrote only non-standard private passenger automobile insurance.

REVIEW OF POLICIES

PRIVATE PASSENGER AUTOMOBILE

The current examination involved a complete review of private passenger automobile coverages, including bodily injury liability, property damage liability, personal injury protection, uninsured motorist, comprehensive, collision and towing and rental reimbursement.

The Company has four (4) tier levels for the placement of new business based on the qualifying characteristics of the risk. A copy of the Company's tier chart is included as Exhibit I. The qualifications used to determine in which tier a risk is placed are: prior "not at fault" accidents, prior insurance coverage with or without a lapse in coverage, whether coverage was purchased with the Company at least two days in advance of the effective date and was it an agency transfer. Credit is used in conjunction with other rating criteria and may result in a surcharge or credit to the policy premium. The surcharge or credit applied is dependent upon the credit score. The Company does not use credit as a factor in determining acceptability or tier placement.

Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
2001	\$10,922,852	8,366
2002	\$9,375,777	11,381

The premiums and policy count for 2002 reflect only the policies written through June 30, 2002.

Direct premium written and policy count increased during the first six months of 2002 as a direct result of rate increases taken by the Company, a new emphasis on writing full coverage policies in lieu of personal injury protection and property damage liability policies, and the cessation of writing new business in South Florida by several other non-standard personal automobile insurance carriers.

Examination Findings

One hundred (100) policy files were examined.

Fifty-four errors were found.

The errors are broken down as follows:

1. Thirty-eight (38) errors were due to failure to advise an applicant adversely affected by a credit score of the adverse effect and the means of obtaining a copy of such score. This constitutes a violation of Rule 4-125.004(3)(e), Florida Administrative Code. These errors were due to failure of the Company to properly notify an applicant whose premium was adversely affected by a credit score of the adverse premium effect and the means of obtaining a copy of the score. The Company disagrees with these findings. Exhibit I. See Pending Issues.
2. Sixteen (16) errors were due to failure to maintain records. This constitutes a violation of Section 627.318, Florida Statutes. These errors were due to failure of the Company to maintain necessary documentation from automobile policy files required for proper review of selected files during this examination. Exhibit II. See Pending Issues.

CANCELLATIONS/NONRENEWALS REVIEW

DESCRIPTION OF CANCELLATION/NONRENEWAL PROCEDURES

The files reviewed in the examination revealed that the Company cancels and nonrenews policies giving the insured the number of days notice required by Florida Statutes, plus at least three (3) days mailing time. Notices are sent to the insured, agent and lienholder, when applicable. Return premiums are calculated as of the effective date of cancellation. Return premiums generated from cancellations originated by the Company are calculated on a pro-rata basis. Return premiums generated from cancellations requested by insureds are calculated at ninety percent (90%) of pro rata.

CANCELLATION REVIEW

Eighty (80) cancelled policies were examined.

Seven (7) errors were found.

The errors are broken down as follows:

1. Seven (7) errors were due to failure to give a valid reason for cancellation of a private passenger automobile policy in effect for more than sixty (60) days. This constitutes a violation of Section 627.728, Florida Statutes. These errors resulted when the Company canceled policies in effect for more than sixty (60) days for reasons other than nonpayment of premium, material misrepresentation or fraud, or suspension of the drivers' license of the named insured or any other operator in the household. Exhibit III. See Pending Issues.

NONRENEWAL REVIEW

Twenty (20) nonrenewed policies were examined.

No errors were found.

COMPLAINTS/INVESTIGATION REVIEW

A complete record of all the complaints received by the Company during the scope of this examination has been maintained as required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company.

Consumer complaints received during the scope of examination were reviewed and findings are as follows:

COMPLAINTS RECEIVED FROM DOI (Sample From Complaint Log)

Consumer Services Ref. No.	Alleged Violation	Violation Found	Comments
S-0102-0034385	Pip benefits terminated due to IME. Dr. didn't examine consumer.	None	After receiving the complaint and details regarding the consumer's visit to the doctor who performed the IME, the Company reinstated pip benefits.
S-0203-0003372	Consumer is upset about delay in fixing her vehicle.	None	The insured was a new risk (application) to the Company and therefore coverage had to be confirmed and the risk underwritten before payment was made on 8/7/02.
S-0102-0070504	Accident occurred 6-7-02. Consumer had not been paid as of 7-2-02.	None	Due to the Company's insured hitting two vehicles, the Company had to wait for both appraisals and complete investigation to determine if total property damages exceeded the limit of liability.
S-0102-0071713	Consumer upset about delay in claim payment.	626.9541(1)(i)(3)(c)	The Company failed to act promptly upon communications with respect to claims. On 4/22/02, the Company took recorded statements from the insured and claimant (consumer). On 5/2/02 appraisals were received on both vehicles. Collision payments were made to the Company's insured on 5/23/02 and 6/7/02. Liability had been established per the recorded statements as there was no police report or witnesses. Payment was not made to the claimant (consumer) until 7/02/02, the date the complaint was received from the Department.
S-0102-0059513	Consumer upset about delay in claim payment.	626.9541(1)(i)(3)(c)	The Company failed to act promptly upon communications with respect to claims. The Company received the loss report on 1/30/02 and a police report was received on or about 2/04/02 indicating the insured driver at fault, as he hit consumer in rear. For the next four months until answering the Department's complaint letter, the Company did nothing except attempt to contact the insured. Upon receipt of Department complaint, Company paid claimant (consumer).

S-0102-0058542	Consumer (insured) upset about delay in claim payment. The accident occurred 3/3/02 and payment has not been made as of 5/3/02.	626.9541(1)(i)(3)(c)	The Company failed to act promptly upon communications with respect to claims. On 3/20/02 the consumer advised the Company that the third party's insurance company had denied liability and he wanted to make a claim under his collision coverage. From that date, it took the Company fifty-one (51) days to issue payment to the consumer.
S-0102-0051607	No response to attorney's request for policy information.	627.4137	Failure to disclose information. The Company received a request for policy information from the attorney on 1/24/02. The Company did not respond until after receiving the complaint from the Department on 3/20/02.
S-0102-0038480	Consumer upset about delay in claim handling for accident of 11/27/01.	None	The Company could not contact the consumer until 12/17/01. The claim handling process began at that time and the claim was paid on 1-11-02 in a timely manner.
S-0102-0008266	Consumer upset about surcharging policy for individual consumer did not know, and no homeowners discount was applied to policy.	None	The application indicated that the consumer was married. The CLUE report indicated that a male individual lived at the same address as the consumer. Also, proof of home ownership was not provided to the Company. After the consumer signed statement that male individual was not a member of the household and she was single, the premium was adjusted accordingly. Proof of homeownership was never provided and no discount applies.
S-0102-0009526 (This consumer same as above. Consumer filed two complaints on same issue at two different service offices.)	Consumer complained about surcharge for individual who was not driver and not member of household and no homeowners discount.	None	Application indicated consumer was married. Clue report indicated that a male individual lived at same address as consumer. Proof of homeownership not provided at time of application. After consumer signed statement that male individual was not member of household and that she was single, the premium was adjusted accordingly. No proof of homeownership was provided.
S-0102-0020265	Consumer complained that service fees are being charged for payments	None	The Company's filing allows service fees on payments and fees are disclosed on billings.
S-0102-0023845	Consumer complained that rate for her daughter is being charged on her insurance.	None	The Company received an exclusion endorsement for the daughter and the charge was deleted.
S-0001-0066343	The consumer states he paid the renewal down payment the day after the policy expired then had accident and the Company said he is cancelled.	None	The payment was not received before expiration. A refund check was sent and the consumer cashed the check before the accident.

S-0102-0024178	The Consumer complained that the policy was canceled and that the Company would reinstate with a 100% increase.	None	The Company received the renewal payment after expiration and refunded the premium. To rewrite the coverage, the Company required the full year's premium and this is what confused the consumer.
S-0102-0015750	The consumer complained that the rates went up when he moved from Lee County to Palm Beach County.	None	The rates in Palm Beach County are higher than the rates in Lee County.
S-0102-0006690	The consumer complained that the effective date of the policy was 7/24/01 not 8/5/01.	None	The agent inadvertently put an incorrect effective date on the application. The Company corrected the effective date to correspond with the expiration date of the consumer's previous policy.
S-0102-0006179	The consumer complained that the premium had increased despite being assured it was a "fixed" price.	None	The Company did not receive proof of prior insurance and proof of homeownership. When these documents were provided, the discounts were applied.
S-0102-0059040	The consumer is disputing "cancellation of unacceptable risk."	None	The Clue report indicated a potential additional driver at the same address as the consumer. Company requests regarding this driver were unanswered; therefore, a notice of cancellation was issued. An exclusion endorsement was received excluding the driver in question and the policy was reinstated.
S-0102-0061879	The consumer complained regarding billing problems. Wants policy cancelled and premium returned.	None	The cancellation request effective 5/7/02 was processed 5/9/02 and a return of unearned premium was sent timely.
S-0102-0070211	Requests for the consumer to be added as lienholder have gone unanswered.	None	The endorsement request to add a 1996 Ford Windstar did not include a lienholder. The Company did not receive a request to add the lienholder until 6/21/02 and the endorsement was processed timely.
S-0102-0070884	The consumer complained about an additional premium.	None	The original premium was based on the consumer having prior insurance with no lapse in coverage. The consumer had over 30 days lapse in coverage during the prior 6 months; therefore, no prior insurance discount was applied which resulted in a higher tier and higher premium.
S-0203-0006846	The consumer states a policy and bill were never received.	None	The Company non-renewed the consumer's policy. The consumer does not have any other coverage with the Company.
S-0203-0007353	The consumer complained of being charged for violations on driving record.	None	The Company never got proof that the MVR is incorrect. Points remained charged.
S-0203-0006367	The consumer complained that the policy was cancelled with no notice of cancellation.	None	The Company sent the cancellation to the last known address and has proof of mailing.

S-0102-0052780	The consumer complained about claim delay.	None	Additional damage was found after repairs had begun. A supplement was faxed to the Company by the repair shop and additional parts were approved and ordered. Repairs were completed in a timely manner.
S-0102-0056054	The consumer complained about the Company's settlement offer.	None	The consumer felt the vehicle was worth more than the Company offered. The consumer and Company came to an agreement.
S-0203-0005873	The consumer's vehicle was hit by a Bristol West Ins. Co. insured. The consumer wants payment.	None	A third party ran a stop sign and a Company insured hit the consumer in an attempt to avoid the third party who left the scene. This was confirmed through statements from the consumer and the insured. The accident report confirms the statements. There is no liability to the consumer on part of Company insured.
S-0102-0019564	The consumer's vehicle was parked next to insured's vehicle, which exploded and damaged the right side of the consumer's vehicle. The consumer wants damage paid by Company.	None	The Boca Raton Fire Department's report indicated the cause of the fire was a superheated engine component causing secondary heating of a combustible engine component. This is not covered by the policy.
S-0102-0035508	Consumer wants to know why the claim is being denied and on what basis.	None	The insured's daughter was driving a vehicle owned by the consumer but not insured under the policy and not a substitute vehicle for a covered vehicle on the insured's policy; therefore, per the contract, no coverage applies to the consumer's vehicle.
S-0102-0057823	The consumer is questioning multiple fees on the policy in addition to the regular premium.	None	The fees are a policy fee and installment fees all approved per the Company's filing.
S-0102-0057820	This is the same consumer as above. This complaint filed at different service office for same reason as above.	None	The fees are a policy fee and installment fees all approved per the Company's filing.
S-0102-0062468	The consumer (insured) wants to know why the Company isn't paying for a collision loss when the daughter was driving the insured's vehicle.	None	The insured chose to exclude the daughter rather than pay a higher premium. Therefore, no collision coverage applies to the loss.
S-0102-0056285	The consumer bought insurance and then found insurance for a lesser price and requested the first policy be cancelled and the downpayment returned.	None	The Company flat cancelled the policy as the insured purchased other coverage before the policy took effect. The downpayment was returned.

S-0102-0046363	The insured faxed a copy of a rental bill to the Company for reimbursement and left several messages and got no response.	626.9541(1)(i)(3)(b) 626.9541(1)(i)(3)(c)	The Company received faxes from the Consumer enclosing the rental car receipt on 1/29/02 and 2/20/02. Then, in response to the Department's inquiry, the Company insinuated that this information had never been received previously. This is a misrepresentation of facts to the Department. In addition, the Company issued the rental car reimbursement to the consumer on 3/28/02, after receiving the complaint and 58 days after initially receiving the receipt from the consumer. The Company failed to acknowledge and act promptly upon communications with respect to claims.
S-0203-0010718	The consumer can't obtain a copy of the PIP log.	None	The Company has no record of receiving a request for a copy of the PIP log prior to 9/3/02. The Company responded in a timely manner on 9/10/02.

Examination Findings

Thirty-five (35) complaints were examined.

Six (6) errors were found.

The errors are broken down as follows:

1. Four (4) errors were due to failure to acknowledge and act promptly upon communications with respect to claims. This constitutes a violation of Section 626.9541(1)(i)(3)(c), Florida Statutes. One (1) error was due to a delay in making a property damage liability payment to the consumer. The Company received the appraisals for the insured and claimant vehicles at the same time. Liability had been established per recorded statements. The insured's collision payment was paid on May 23, 2002. However, the claimant's property damage liability claim was not paid until July 2, 2002. One (1) error was due to delay in payment of a property damage liability claim. Liability had been established and the Company had received all necessary documentation, but payment was not made until the Company received the consumer complaint from the Department. One (1) error was due to failure of the Company to appraise the consumer's vehicle and make payment. The Company was advised of the collision loss but delayed fifty-one (51) days in appraising the consumer's vehicle and making the collision payment. One (1) error was due to the Company's failure to make a rental car reimbursement payment to the consumer until fifty-eight (58) days after receipt of the initial rental car receipt.

2. One (1) error was due to misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue. This constitutes a violation of Section 626.9541(1)(i)(3)(b), Florida Statutes. This error was due to the Company inferring in its response to the consumer complaint received from the Department that it had never received the consumer's rental car receipt when in fact the Company had received two previous receipts.
3. One (1) error was due to failure to disclose policy information. This constitutes a violation of Section 627.4137, Florida Statutes. This error was due to the failure of the Company to disclose policy information to the claimant within thirty (30) days from receipt of the request for such information.

This examination addressed the reasons behind the volume of consumer complaints filed against this Company. From this review, it was determined that approximately thirty-nine percent (39%) of complaints logged against this Company were actually filed against another company in the Bristol West Insurance Group. The complaints reviewed for this Company did not indicate any business practices in violation of Florida Statutes and Rules.

CLAIMS REVIEW

DESCRIPTION OF CLAIMS REVIEWED – NON-PPA/MEDICAL REVIEWS

This examination included the review of claims made under private passenger automobile insurance policies and included the following types of coverage: bodily injury and property damage liability, personal injury protection benefits, medical payments, uninsured motorist, physical damage including comprehensive and collision, rental reimbursement and towing/labor.

Examination Findings

Fifty (50) claims were examined. Six (6) claims were bodily injury liability, nine (9) claims were for property damage liability, three (3) claims were medical payments, ten (10) claims were for personal injury protection benefits, one (1) claim was for uninsured motorist, eight (8) claims were for comprehensive physical damage, ten (10) claims were collision physical damage, and three (3) claims were for towing and/or rental reimbursement.

No errors were found.

DESCRIPTION OF CLAIMS REVIEWED – PPA/MEDICAL REVIEWS

This examination included the review of claims made under private passenger automobile insurance policies for personal injury protection benefits.

Examination Findings

Thirty-five (35) claims were examined. Thirty-five (35) claims were for personal injury protection benefits.

No errors were found.

CORRECTIVE ACTIONS

Private Passenger Automobile

1. Due to violations of Rule 4-125.004(3)(e), Florida Administrative Code, the Company has been requested to implement procedures to advise any insured whose policy premium has been adversely affected by a credit report/score of the adverse effect and the means by which the insured can obtain a copy of the credit report/score. Exhibit I.
2. Due to violations of Section 627.318, Florida Statutes, the Company has been requested to implement a procedure to allow completely documented files to be obtained and provided in a timely manner. Exhibit II.
3. Due to violations of Section 627.728, Florida Statutes, the Company has been requested to stop canceling any private passenger automobile insurance policy in effect for more than sixty (60) days for reasons other than nonpayment of premium, material misrepresentation or fraud, or suspension of the driver's license or motor vehicle registration of the named insured or any other operator who either resides in the same household or customarily operates a vehicle insured by the Company. Exhibit III.

EXHIBITS

SUBJECT

EXHIBIT NUMBER

REQUEST FOR CHANGE IN NOTIFICATION REQUIREMENTS REGARDING CREDIT SCORE/REPORT	I
REQUEST FOR PROCEDURE TO MAINTAIN RECORDS	II
REQUEST TO CORRECT MID-TERM CANCELLATIONS	III