

STATE OF MICHIGAN

DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES



MARKET CONDUCT EXAMINATION

NUMBER 2013C-0060

July 29, 2014

COMPREHENSIVE MARKET CONDUCT EXAMINATION REPORT

OF

BRISTOL WEST PREFERRED INSURANCE COMPANY

CALEDONIA, MICHIGAN

NAIC COMPANY CODE 12774

For the Period January 2, 2011 through December 31, 2012

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I. EXECUTIVE SUMMARY

Bristol West Preferred Insurance Company (the Company) is an authorized Michigan domiciled company. This examination was conducted by DIFS in conformance with the National Association of Insurance Commissioners (NAIC) *Market Regulation Handbook* (2013) (*Handbook*) and the Michigan Insurance Code, MCL 500.100 et seq. (the Code). The purpose of the exam is to evaluate the compliance of the Company with applicable Michigan statutes, NAIC Guidelines and DIFS regulations. The scope of market conduct examination includes the Company's activities related to (1) Operations/Management, (2) Complaint Handling, (3) Marketing and Sales, (4) Producer Licensing, (5) Underwriting and Rating, (6) Claims, and (7) Unclaimed Property. The examination covers the period January 1, 2011 through December 31, 2012.

This summary of this comprehensive market conduct examination of the Company is intended to provide a high-level overview of the examination results. The body of the report provides details of the scope of the examination, findings, DIFS recommendations, and Company responses.

DIFS considers a substantive issue one in which a "finding" or violation of Code was found to have occurred, or one in which corrective action on the part of the Company is deemed advisable.

Findings:

There were no findings.

Recommendations:

There are no recommendations.

II. OBJECTIVES, SCOPE AND METHODOLOGY

This report is based on a comprehensive market conduct examination of Bristol West Preferred Insurance Company. The examination was conducted at the Company's satellite office located at 2149 Jolly Road, Okemos, Michigan 48864. The contact for this exam was Christina Austin, Director of Compliance for the Company. DIFS conducted this examination in accordance with statutory authority of MCL 500.222 et seq. All Michigan laws, regulations and bulletins cited in this report may be viewed on the DIFS website at www.michigan.gov/difs.

The purpose of the exam is to evaluate the compliance of the Company with applicable Michigan statutes, NAIC Guidelines and DIFS regulations.

The examination covers the period January 1, 2011 to December 31, 2012. This examination was conducted under the supervision of Sherry J. Bass-Pohl, Manager of the Market Conduct Company Examination Unit. The on-site examination team consisted of Lynell A. Cauther, Examiner-in-Charge, and Sherry Barrett, Market Conduct Examiner.

This examination includes reviews of, but not limited to, the areas of (1) Operations/Management, (2) Complaint Handling, (3) Marketing and Sales, (4) Producer Licensing, (5) Underwriting and Rating, (6) Claims, and (7) Unclaimed Property.

The examination was called due to an increase in the market share, changes in the complaint index and the absence of a prior market conduct examination.

The examination team sampled Company records in the areas of (1) Operations/Management, (2) Marketing and Sales, (3) Underwriting and Rating, (4) Claims, (5) Complaint Handling, (6) Producer Licensing, (7) Unclaimed Property. The analysis and examination of these areas were conducted and measured according to the Standards and practices in the NAIC *Handbook*, the applicable statutes in the Code, and the Company's internal guidelines and procedures.

Three types of review may have been utilized for the above standards. Certain standards were examined with a single review, and others were examined using one or more type of review. The NAIC *Handbook* calls for a random sample of 100 files when the examination population is greater than 5,000. This statistical sample applies to the Company as follows:

- A. Generic Review: A standard test was applied using analysis of all files written by agents at the specific branch office for the time frame of the examination. The Company provided the general file information as a response to examiner questions.
- B. Sample Review: A "sample" review indicates that a standard was tested through direct review of a random sample of files using sampling methodology described in the NAIC *Handbook*, Chapter 14. The samples included all files within a specific subgroup. The sampling techniques used are based on a 95 percent (95%) confidence level, meaning there is 95 percent (95%) confidence that the error percentages shown in the various standards so tested are representative of the entire set of records from which it was drawn. An error rate in excess of the tolerance level in these sections of the report is indicative of a general business practice of engaging in that type of conduct. Note that the statistical error tolerance is not indicative of the actual tolerance of DIFS for deliberate or systematic error.
- C. Census Review: Marketing and Sales, as well as Complaint files, were not subject to the sampling procedure, as the number of relevant files did not warrant taking a sample. Therefore, every relevant marketing piece and complaint file for the examination period was reviewed by the examination team for compliance with applicable statutes, regulations and internal company guidelines.

This examination report is a report by test. The report contains a summary of pertinent information about the lines of business examined. This includes each NAIC *Handbook* source and Standard, Code citation, any examination findings detailing the non-compliant or problematic activities that were discovered during the course of the exam, the Company response proposing methods for correcting the deficiencies, and recommendation for any further action by DIFS.

III. COMPANY OPERATIONS AND PROFILE

Bristol West Preferred Insurance Company began operations in 2006, as a Michigan-domiciled company. It is a mutual company. As one of the Farmers Property and Casualty Companies, its size category is XV (\$2 Billion or greater), and the Company is rated A (Excellent) by the AM Best Company. Its outlook is stable. The Company markets and sells its products through Exclusive and Independent Agents. The Company's line of business is private passenger automobile. A significant line of business change took place on May 17, 2011; a new personal auto product was introduced in Michigan for new business. This product is the Select 3.0 product and replaced the Select 2.5 product. On July 1, 2011, Bristol West began to convert policies from the Select 2.5 to the Select 3.0 product. With this revision, a new product structure was introduced including a new credit model, vehicle symbols and a new rating structure. Some additional features that were introduced with this product version included the Continuous Insurance Discount, vehicle history rating, expanded violation segmentation, pay plan discount changes, a Go Paperless option, rate capping and additional rating variables changes.

IV. EXAMINATION FINDINGS AND RECOMMENDATIONS

A. OPERATIONS AND MANAGEMENT

Standard 1: The regulated entity has an up-to-date, valid internal or external audit program. NAIC *Handbook*, Chapter 16.

Findings:

The Company has an up-to-date, valid internal and external audit programs.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 2: The regulated entity has adequate appropriate controls, safeguards and procedures for protecting the integrity of computer information. NAIC *Handbook*, Chapter 16.

Findings:

The Company has adequate appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: The regulated entity has antifraud initiatives in place that are reasonably calculated to detect, prosecute and prevent fraudulent insurance acts. NAIC *Handbook*, Chapter 16.

Findings:

The Company has antifraud initiatives in place that are reasonably calculated to detect, prosecute and prevent fraudulent insurance acts.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 4: The regulated entity has a valid disaster recovery plan. NAIC *Handbook*, Chapter 16.

Findings:

The Company has a valid disaster recovery plan.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 7: Records are adequate, accessible, consistent and orderly and comply with state record retention requirements. NAIC *Handbook*, Chapter 16.

Findings:

The Company records are adequate, accessible, consistent and orderly and comply with state record retention requirements.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 8: The regulated entity is licensed for the lines of business that are being written. NAIC *Handbook*, Chapter 16.

Findings:

The Company is licensed for the lines of business that are being written.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 9: The regulated entity cooperates on a timely basis with examiners performing the examinations. NAIC *Handbook*, Chapter 16.

Findings:

The Company cooperated on a timely basis with examiners performing the examination.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 10: The regulated entity has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders. NAIC *Handbook*, Chapter 16.

Findings:

The Company has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions so as to minimize any improper intrusion into the privacy of applicants and policyholders.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 11: The regulated entity has developed and implemented written policies, standards and procedures for the management of insurance information. NAIC *Handbook*, Chapter 16.

Findings:

The Company has developed and implemented written policies, standards and procedures for the management of insurance information.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 12: The regulated entity has policies and procedures to protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers. NAIC *Handbook*, Chapter 16.

Findings:

The Company has policies and procedures to protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 18: All data required to be reported to departments of insurance is complete and accurate. NAIC *Handbook*, Chapter 16.

Findings:

The Company data reported to the Department of Insurance and Financial Services is complete and accurate.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

B. MARKETING AND SALES

Standard 1: All advertising and sales materials are in compliance with applicable statutes, rules and regulations. NAIC *Handbook*, Chapter 16.

Findings:

The examiners conducted a review of the Company's marketing and sales practices and materials used during the examination period. This included Company websites, exclusive and independent agent websites (random sample), producer-generated advertising and approval for that advertising, all brochures, newsletters, bulletins, newspaper ads and agency manuals. It is noted that some advertising material was in English and Spanish. No issues or concerns were found.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 2: Regulated entity internal producer training materials are in compliance with applicable statutes, rules and regulations. NAIC *Handbook*, Chapter 16.

Findings:

Examiners reviewed the Company’s internal producer training materials and found them to be in compliance with applicable statutes, rules and regulations.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Regulated entity communications to producers are in compliance with applicable statutes, rules and regulations. NAIC *Handbook*, Chapter 16.

Findings:

The examiners reviewed the Company’s web-based training manual. The Company is in compliance with all statutes, rules regulations with communications to producers.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

C. UNDERWRITING AND RATING

The examiners requested the population of new and renewal policies written in the State of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Personal Auto - 2011 and 2012	132,973	5	102	2/11/2014	0

Standard 5: All forms, including contracts, riders, endorsement forms and certified are filed with the insurance department, if applicable. NAIC *Handbook*, Chapter 16.

MCL 500.2108(1):

(1) On the effective date thereof, each insurer shall file with the commissioner every manual of classification, every manual of rules and rates, every rating plan, and every modification of a manual of classification, manual of rules and rates, or a rating plan which it proposes to use for automobile insurance and home insurance. Each filing shall state the character and extent of the coverage contemplated. Each insurer subject to this chapter who maintains rates in any part

of this state shall at all times maintain rates in effect for all eligible persons meeting the underwriting criteria of the insurer.

Findings:

The examiners reviewed the Company’s procedures, rules, rates and forms filed by or on behalf of the Company, and found them to be in compliance with applicable statutes, rules and regulations.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

The examiners requested the population of Cancellation, Non-Renewal and Rescission policies written in the State of Michigan for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Cancellation/Non-Renewals and Rescission Practices – Private Passenger Auto	59,510	5	102	2/11/2014	0

Standard 8: Cancellation/Nonrenewal, discontinuance and declination notices comply with policy provisions, state laws and regulated entity guidelines. NAIC *Handbook*, Chapter 16.

MCL 500.3224:

(1) The cancellation of a policy of insurance within the 55-day period enumerated in subdivision (a) of section 3220 shall not be subject to appeal by the insured. Failure to disclose the cancellation by any insured upon any application for insurance shall not be grounds to deny coverage on the basis of fraud by an insurer who may have accepted the risk thereafter.

(2) For the provisions of this chapter only, no cancellation shall be effective unless a written notice of cancellation is mailed by certified mail, return receipt requested, to the insured at the last address known to the insurer either through its records, the personal records of the agent who wrote the policy, or as supplied by the insured.

(3) The notice shall be mailed at least 20 days prior to the effective date of cancellation. For the purpose of this chapter only, delivery of such written notice by the insurer shall be the equivalent of mailing. The notice shall contain the reasons for the cancellation and shall state in bold type that the insured has the statutory right within 7 days from the date of mailing to appeal to the department. The commissioner shall approve the form of the cancellation notice.

Findings:

Examiners found the following information from the sampled files:

Upon examination of the sampled files the following information was obtained:

- 27 policies were cancelled at the insured’s request
- 69 policies were cancelled due to nonpayment of premium
- 6 policies were noted as PSD (the Company code used to designate renewal offers not taken); this was an internal display issue only which was corrected to show the policy was cancelled at the insured’s request, as intended.

Recommendations:

No further action is required at this time. The Company immediately corrected the internal display only issue: therefore, no criticism was written.

Company Response:

No Company response was received.

D. CLAIMS

1. Claims Paid – Private Passenger Automobile Comprehensive /Collision/

Comprehensive/Collision

The examiners requested the population of Michigan Claims Closed With Payment – Personal Auto Comprehensive and Collision.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed With Payment - Personal Auto Comprehensive and Collision	8,885	2	88	2/11/2014	0

Standard 2: Timely investigations are conducted. NAIC *Handbook*, Chapter 16.

MCL 500.2026:

(1) Unfair methods of competition and unfair or deceptive acts or practices in the business of insurance, other than isolated incidents, are a course of conduct indicating a persistent tendency to engage in that type of conduct and include:

- (a) Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue.
- (b) Failing to acknowledge promptly or to act reasonably and promptly upon communications with respect to claims arising under insurance policies.
- (c) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (d) Refusing to pay claims without conducting a reasonable investigation based upon the available information.
- (e) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed.

Findings:

Comprehensive and Collision – Of the 88 sampled files, 80 of the investigations were closed within one (1) year. The remaining eight (8) files were not completed within a year due to inactivity by the insured causing claims to be closed later.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Claims are resolved in a timely manner. NAIC *Handbook*, Chapter 16.

Standard 4: The regulated entity responds to claims in a timely manner. NAIC *Handbook*, Chapter 16.

MCL 500.2006(1) and (4):

(1) A person must pay on a timely basis to its insured, an individual or entity directly entitled to benefits under its insured's contract of insurance, or a third party tort claimant the benefits provided under the terms of its policy, or, in the alternative, the person must pay to its insured, an individual or entity directly entitled to benefits under its insured's contract of insurance, or a third party tort claimant 12% interest, as provided in subsection (4), on claims not paid on a timely basis. Failure to pay claims on a timely basis or to pay interest on claims as provided in subsection (4) is an unfair trade practice unless the claim is reasonably in dispute.

* * *

(4) If benefits are not paid on a timely basis the benefits paid shall bear simple interest from a date 60 days after satisfactory proof of loss was received by the insurer at the rate of 12% per annum, if the claimant is the insured or an individual or entity directly entitled to benefits under the insured's contract of insurance. If the claimant is a third party tort claimant, then the benefits paid shall bear interest from a date 60 days after satisfactory proof of loss was received by the insurer at the rate of 12% per annum if the liability of the insurer for the claim is not reasonably in dispute, the insurer has refused payment in bad faith and the bad faith was determined by a court of law. The interest shall be paid in addition to and at the time of payment of the loss. If the loss exceeds the limits of insurance coverage available, interest shall be payable based upon the limits of insurance coverage rather than the amount of the loss. If payment is offered by the insurer but is rejected by the claimant, and the claimant does not subsequently recover an amount in excess of the amount offered, interest is not due. Interest paid pursuant to this section shall be offset by any award of interest that is payable by the insurer pursuant to the award.

MCL 500.2026(e) (see above)

Findings:

Comprehension and Collision – Of the 88 sampled files, all except three (3) were paid within 60 days. The reason for the delay in all three (3) files was due to insured's late response. Claims were paid within 411 days.

Of the sampled files, in no case was the Company liable to pay 12% interest for late payments. There are no findings.

The Company's policy is to respond to a new claim within 24 business hours or less. All sampled claims were responded to in a timely manner.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 5: Claim files are adequately documented. NAIC *Handbook*, Chapter 16.

Findings:

Examiners reviewed paper and electronic files. All sampled files were adequately documented.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1) (cited above)

Findings:

Examiners found all sampled claims met all Company and state requirements for proper handling.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 8: Claim files are reserved in accordance with the regulated entity’s established procedures. NAIC *Handbook*, Chapter 16.

Findings:

Examiners found all sampled claims to be reserved accordance with the Company’s procedures.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

2. Claims Paid - Private Passenger Automobile Personal Injury Protection and Uninsured Motorist/Underinsured Motorist

The examiners requested the population of Michigan Claims Closed With Payment – Personal Injury Protection (PIP) and Uninsured/Underinsured.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed With Payment - PIP and Uninsured/Underinsured	1,290	2	88	2/11/2014	0

Standard 2: Timely investigations are conducted. NAIC *Handbook*, Chapter 16.

Findings:

PIP and Uninsured/Underinsured – Of the 88 sampled files, 84 of the investigations were closed within one (1) year. The remaining four (4) files were not completed within a year due to having

an additional claim and the Company waiting for proof of loss to be submitted before closing the claim.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Claims are resolved in a timely manner. NAIC *Handbook*, Chapter 16.

Standard 4: The regulated entity responds to claims in a timely manner. NAIC *Handbook*, Chapter 16.

Findings:

PIP and Uninsured/Underinsured – Of the 88 sampled files, 49 were paid within 60 days. The remaining 39 files were paid between 61 and 715 days. All these claims had supporting documentation of proof of loss which was provided at a later date.

Of the sampled files, in no case was the Company liable to pay 12% interest for late payments. There are no findings.

The Company's policy is to respond to a new claim within 24 business hours or less. All sampled claims were responded to in a timely manner.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 5: Claim files are adequately documented. NAIC *Handbook*, Chapter 16.

Findings:

Examiners reviewed paper and electronic files. All sampled files were adequately documented.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1) (cited above)

Findings:

Examiners found all sampled claims met all Company and state requirements for proper handling.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 8: Claim files are reserved in accordance with the regulated entity's established procedures. NAIC *Handbook*, Chapter 16.

Findings:

Examiners found all sampled claims to be reserved accordance with the Company's procedures.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

3. Claims Paid – Private Passenger Automobile Total Losses

The examiners requested the population of Michigan Claims Closed With Payment – Total Losses.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed With Payment - Personal Auto Total Losses	2,761	2	88	2/11/2014	0

Standard 2: Timely investigations are conducted. NAIC *Handbook*, Chapter 16.

Findings:

Total loss – Of the 88 sampled files, all investigations were completed within one (1) year.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Claims are resolved in a timely manner. NAIC *Handbook*, Chapter 16.

Standard 4: The regulated entity responds to claims in a timely manner. NAIC *Handbook*, Chapter 16.

Findings:

Total Losses – Of the 88 sampled files, all except one (1) were paid within 60 days. The reason for delay was due to insured's late response. The claim was paid within 62 days.

Of the sampled files, in no case was the Company liable to pay 12% interest for late payments. There are no findings.

The Company's policy is to respond to a new claim within 24 business hours or less. All sampled claims were responded to in a timely manner.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 5: Claim files are adequately documented. NAIC *Handbook*, Chapter 16.

Findings:

Examiners reviewed electronic files. All sampled files were adequately documented.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1) (cited above)

Findings:

Examiners found all sampled claims met all Company and state requirements for proper handling.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 8: Claim files are reserved in accordance with the regulated entity’s established procedures. NAIC *Handbook*, Chapter 16.

Findings:

Examiners found all sampled claims to be reserved accordance with the Company’s procedures.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

4. Claims Closed Without Payment – Private Passenger Automobile Comprehensive and Collision

The examiners requested the population of Michigan Claims Closed Without Payment – Personal Auto Comprehensive and Collision.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed Without Payment - Personal Auto Comprehensive and Collision	1,309	2	88	2/11/2014	0

Standard 2: Timely investigations are conducted. NAIC *Handbook*, Chapter 16.

MCL 500.2026 (cited above)

Findings:

Comprehensive and Collision – Of the 88 sampled files, 81 of the investigations were closed within one year. The remaining seven (7) files were not completed within a year due to inactivity by insured causing claims being closed later.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Claims are resolved in a timely manner. NAIC *Handbook*, Chapter 16.

Standard 4: The regulated entity responds to claims in a timely manner. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1)(e) (cited above)

Findings:

All samples claim files were closed within a timely manner. There are no findings.

The Company policy is to respond to a new claim within 24 business hours or less. All sample claims were responded to in a timely manner.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 5: Claim files are adequately documented. NAIC *Handbook*, Chapter 16.

Findings:

Examiners reviewed electronic files. All sampled files were adequately documented.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1) (cited above)

Findings:

Examiners found all sampled claims met all Company and State requirements for proper handling.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law. NAIC *Handbook*, Chapter 16.

MCL 500.2006(1) and (4) (cited above)

MCL 500.2026 (cited above)

Findings:

All sampled files that were denied and closed without payment were handled in accordance with policy provisions and state law.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

5. Claims Not Paid - Private Passenger Automobile - Personal Injury Protection and Uninsured Motorist/Underinsured Motorist

The examiners requested the population of Michigan Claims Closed Without Payment – Personal Injury Protection (PIP) and Uninsured Motorist/Underinsured Motorist (UM/UIM).

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed Without Payment – PIP and Uninsured/Underinsured	2,556	2	88	2/11/2014	0

Standard 2: Timely investigations are conducted. NAIC *Handbook*, Chapter 16.

MCL 500.2026 (cited above)

Findings:

PIP and Uninsured/Underinsured – Of the 88 sampled files, 83 of the investigations were closed within one year. The four (4) files that were not completed within a year were due to having an additional claim filed. Upon additional documentation being submitted, it was determined that these claims would be closed without payment. One (1) file was closed due to being incorrectly submitted, unrelated to the claim.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Claims are resolved in a timely manner. NAIC *Handbook*, Chapter 16.

Standard 4: The regulated entity responds to claims in a timely manner. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1)(e) (cited above)

Findings:

All samples claim files were closed within a timely manner. There are no findings.

The Company policy is to respond to a new claim within 24 business hours or less. All sample claims were responded to in a timely manner.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 5: Claim files are adequately documented. NAIC *Handbook*, Chapter 16.

Findings:

Examiners reviewed electronic files. All sampled files were adequately documented.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1) (cited above)

Findings:

Examiners found all sampled claims met all Company and state requirements for proper handling.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law. NAIC *Handbook*, Chapter 16.

MCL 500.2006(1) and (4) (cited above)

MCL 500.2026 (cited above)

Findings:

All sampled files that were denied and closed without payment were handled in accordance with policy provisions and state law.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

6. Claims Closed Without Payment – Private Passenger Automobile Total Losses

The examiners requested the population of Michigan Claims Closed Without Payment – Personal Auto Total Losses.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Claims Closed Without Payment - Personal Auto Total Losses	2	2	2	2/11/2014	0

Standard 2: Timely investigations are conducted. NAIC *Handbook*, Chapter 16.

MCL 500.2026 (cited above)

Findings:

Total loss – There were only two (2) total losses during the period under review and both investigations were completed within one (1) year.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Claims are resolved in a timely manner. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1)(e) (cited above)

Findings:

All samples claim files were closed within a timely manner. There are no findings.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 4: The regulated entity responds to claims in a timely manner. NAIC *Handbook*, Chapter 16.

Findings:

The Company policy is to respond to a new claim within 24 business hours or less. All sample claims were responded to in a timely manner.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 5: Claim files are adequately documented. NAIC *Handbook*, Chapter 16.

Findings:

All sampled claim files were adequately documented.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 6: Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPAA), rules and regulations. NAIC *Handbook*, Chapter 16.

MCL 500.2026(1) (cited above)

Findings:

All sampled files were handled properly.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 9: Denied and closed without payment claims are handled in accordance with policy provisions and state law. NAIC *Handbook*, Chapter 16.

MCL 500.2006(1) and (4) (cited above)

MCL 500.2026 (cited above)

Findings:

All sampled files that were denied and closed without payment were handled in accordance with policy provisions and state law.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

E. COMPLAINT HANDLING

Standard 1: All complaints are recorded in the required format on the regulated entity's complaint register. NAIC *Handbook*, Chapter 16.

MCL 500.2026(2):

(2) The failure of a person to maintain a complete record of all the complaints of its insureds which it has received since the date of the last examination is an unfair method of competition and unfair or deceptive act or practice in the business of insurance. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition thereof, and the time it took to process each complaint. For purposes of this subsection, "complaint" means a written communication primarily expressing an allegation of acts which would constitute violation of this chapter. If a complaint relating to an insurer is received by an agent of the insurer, the agent shall promptly forward the complaint to the insurer unless the agent resolves the complaint to the satisfaction of the insured within a reasonable time. An insurer shall not be deemed to have engaged in an unfair method of competition or an unfair or deceptive act or practice in the business of insurance in violation of this chapter because of the failure of an agent who is not also an employee to forward a written complaint as required by this subsection.

Findings:

The Company provided the complaint register for DIFS, consumer complaints for Michigan and complaints on which claims were made. There were 27 DIFS complaints, 17 consumer complaints for Michigan and 16 claims complaints for a total of 60 complaints for the examination period. After review of all the complaint files, examiners found all complaints on the complaint register, as required by MCL 500.2026(2). There are no findings.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 2: The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders. NAIC *Handbook*, Chapter 16.

Findings:

Upon examination of the Company's complaint handling process and procedures, examiners found the Company had adequate complaint handling procedures in place.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: The Company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language. NAIC *Handbook*, Chapter 16.

Findings:

After reviewing all 60 complaint files for the examination period, examiners found no instance in which the Company failed to properly address the complainant's concern. There are no findings.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 4: The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations. NAIC *Handbook*, Chapter 16.

Findings:

For the 60 complaints under review, from the date the complaint was received until closed the Company's average response time was 17.3 days. All complaint files were closed within 30 days. There are no findings.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

F. PRODUCER LICENSING

The examiners requested the population of producers appointed with the Company for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Producer Licensing (Exclusive Agents)	882	5	102	2/11/2014	0
Producer Licensing (Independent Agents)	3,925	5	102	2/11/2014	0

Standard 1: Regulated entity records of licensed and appointed (if applicable) producers and in jurisdictions where applicable, licensed company or contracted independent adjusters agree with insurance department records. NAIC *Handbook*, Chapter 16.

MCL 500.1208a:

(1) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.

(2) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the commissioner, a notice of appointment for the qualifications held by that insurance producer within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint an insurance producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request.

(3) Upon receipt of the notice of appointment, the commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the commissioner shall notify the insurer within 5 days of that determination.

(4) An insurer shall pay an appointment fee and a renewal appointment fee as provided under section 240(1)(c) for each insurance producer appointed or renewed by the insurer.

Findings:

Examiners reviewed records and found no issues or concerns.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 3: Termination of producers complies with applicable statutes, rules and regulations regarding notification to the producer and notification to the state, if applicable. NAIC *Handbook*, Chapter 16.

Findings:

The Company has termination procedures compliant with applicable statutes, rules and regulations in place for independent and exclusive agents.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

Standard 5: Records of terminated producers adequately document reasons for terminations. NAIC *Handbook*, Chapter 16.

Findings:

Upon review of procedures for termination, examiners found reason for termination was adequately documented. There were no findings.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

G. UNCLAIMED PROPERTY

The examiners requested the population of Michigan Unclaimed Property Payments for the period under review.

File Data	Population Size	Maximum Number of Failures Permitted in Sample	Stage 1 Sample Size	Date Sample Pulled	Errors Found
Unclaimed Property Report 2011	11,030	5	102	2/11/2014	0
Unclaimed Property Report 2012	6,129	5	102	2/11/2014	0

MCL 500.8145:

(1) All unclaimed funds subject to distribution remaining in the liquidator's hands when he or she is ready to apply to the court for discharge, including the amount distributable to a creditor, shareholder, member, or other person who is unknown or cannot be found, shall be deposited with the state treasurer, and shall be paid without interest except in accordance with section 8142 to the person entitled or his or her legal representative upon proof of right to it satisfactory to the state treasurer. An amount on deposit not claimed within 6 years from the discharge of the liquidator shall be considered to have been abandoned, shall escheat to the state without formal escheat proceedings, and shall be deposited in the general fund.

Findings:

Examiners reviewed the Company's procedures for recording and escheating funds to the State. Upon review of the sampled files, the examiners found no issues or concerns.

Recommendations:

There are no recommendations.

Company Response:

No Company response was received.

V. ACKNOWLEDGEMENT

This examination report of Bristol West Preferred Insurance Company is respectfully submitted to the Director of the Department of Insurance and Financial Services, State of Michigan.

The courteous cooperation and assistance of the officers and employees of the Company extended to the examiners during the course of the examination is hereby acknowledged.

In addition to the undersigned, Sherry Barrett, Market Conduct Examiner, participated in the examination.

Lynell A. Cauther, MCM
Examiner-in-Charge
Department of Insurance and Financial Services
Market Conduct Section