

MARKET CONDUCT EXAMINATION REPORT

OF

CONSUMERS INSURANCE USA, INC.

AS OF

March 31, 2012

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE
Property and Casualty Division
Market Conduct Section

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

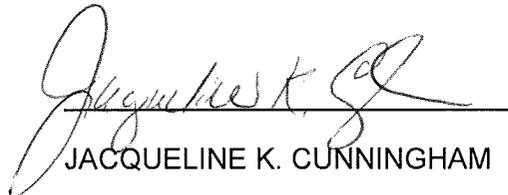


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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Market Conduct Examination Report of Consumers Insurance USA, Inc. as of September 16, 2013 which took place at the company's offices in Murfreesboro, TN is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's final response to the findings set forth therein, and of the Bureau's letter and the Order of the State Corporation Commission finalizing the 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 17th day of September, 2013.



JACQUELINE K. CUNNINGHAM

Commissioner of Insurance

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a re-examination has been made of the private passenger automobile line of business written by Consumers Insurance USA, Inc. at its office in Murfreesboro, TN.

The examination commenced August 6, 2012 and concluded February 6, 2013. Brandon Ayers, Carol Burley, Karen S. Gerber, Melody R. Morrissette, Lori Rose, and Gloria V. Warriner, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on July 18, 2012 and was assigned the examination number of VA 177. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILE*

Consumers Insurance USA, Inc. was incorporated under the laws of Tennessee in August of 1994 and commenced business on May 1, 1995. The company writes private passenger automobile and commercial automobile insurance in Tennessee, Missouri, Illinois, Virginia, Arkansas, and Alabama. The company has traditionally written nonstandard automobile, but also writes standard and preferred auto coverages as part of its multi-tiered program. The company is based in Murfreesboro, Tennessee.

* Source: Best's Insurance Reports, Property & Casualty, 2011 Edition.

The table below indicates when the company was licensed in Virginia and the lines of insurance that the company was licensed to write in Virginia during the examination period. All lines of insurance were authorized on 08/30/2004 except as noted in the table.

GROUP CODE:	CONSUMERS INS.,USA, INC
NAIC Company Number	10204
LICENSED IN VIRGINIA	08/30/2004
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	
Automobile Liability	X
Automobile Physical Damage	X
Boiler and Machinery	
Burglary and Theft	
Commercial Multi-Peril	
Credit	
Farmowners Multi-Peril	
Fidelity	
Fire	9/22/2004
General Liability	9/22/2004
Glass	
Homeowner Multi-Peril	
Inland Marine	9/22/2004
Miscellaneous Property	
Ocean Marine	
Surety	
Water Damage	
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2011 for the line of insurance included in this examination.* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Consumers Ins. USA, Inc. Private Passenger Automobile Liability	\$759,305	0.03%
Private Passenger Automobile Physical Damage	\$503,406	0.03%

* Source: The 2011 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 detailed review of the company's private passenger automobile business written in Virginia for the period beginning April 1, 2011 and ending March 31, 2012. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance,¹ statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

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 statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the company failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

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

In Part Three, the examiners list recommendations regarding the company's practices that require some action by the company. This section also summarizes the violations for which the company was cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the company engaged. The failure to identify, comment on, or criticize

¹ Policies reviewed under this category reflected the company's current practices and, therefore, fell outside of the exam period.

specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

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

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

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.

AREA	<u>Population</u>					
	<u>CUSA</u>	<u>Sample Requested</u>		<u>FILES NOT FOUND</u>	<u>FILES WITH ERRORS</u>	<u>ERROR RATIO</u>
<u>TOTAL</u>		<u>FILES REVIEWED</u>				
<u>Private Passenger Auto</u>						
New Business		<u>1060</u>	40	0	40	100%
		40				
Renewal Business		<u>3082</u>	40	0	37	93%
		40				
Co-Initiated Cancellations		<u>34</u>	12	0	10	83%
		12				
All Other Cancellations ¹		<u>4482</u>	26	0	25	96%
		30				
Nonrenewals		<u>270</u>	10	0	10	100%
		10				
<u>Claims</u>						
Auto		<u>409</u>	60	0	43	72%
		60				

Footnote ¹ Four files in the Insured Requested category were not reviewed.

PART ONE – THE EXAMINERS’ OBSERVATIONS

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

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 40 new business policy files. As a result of this review, the examiners found overcharges totaling \$826.71 and undercharges totaling \$16.00. The net amount that should be refunded to insureds is \$826.71 plus six percent (6%) simple interest.

- (1) The examiners found 15 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company failed to list the Towing and Labor Cost form, PP13 55 06 00, on the declarations page.
- (2) The examiners found ten violations of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under a Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily operated by the driver who incurred the points.
- (3) The examiners found 35 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In 24 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In seven instances, the company failed to apply the correct surcharge points for accidents and/or convictions.

- c. In one instance, the company failed to use the correct territory.
 - d. In one instance, the company failed to use the correct tier eligibility criteria.
 - e. In one instance, the company failed to use the filed rounding rule.
 - f. In one instance, the company failed to rate the policy in accordance with its filed credit rating rules.
- (4) The examiners found 40 violations of § 38.2-2204 of the Code of Virginia. The company issued a motor vehicle policy that did not provide coverage to the named insured and any other person using or responsible for the use of the motor vehicle as required by statute.
- (5) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company failed to provide the Credit Score Disclosure notice at the time of application.
- (6) The examiners found two violations of § 38.2-2234 E of the Code of Virginia. The company used credit information that was obtained more than 90 days from the new business inception date.

Automobile Renewal Business Policies

The Bureau reviewed 40 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$2,961.00 and undercharges totaling \$477.00. The net amount that should be refunded to insureds is \$2,961.00 plus six percent (6%) simple interest.

- (1) The examiners found 26 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company failed to list the Towing and Labor Cost form, PP13 55 06 00, on the declarations page.

- (2) The examiners found five violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of its insurance policy. The company failed to follow its Claim Free Disappearing Deductible rule resulting in the listing of an incorrect deductible on the declaration page.
- (3) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an adverse underwriting decision.
- (4) The examiners found seven violations of § 38.2-1905 C of the Code of Virginia. The company assigned points under a Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.
- (5) The examiners found 48 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In 24 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In two instances, the company failed to apply the correct points for accidents and/or convictions.
 - c. In two instances, the company failed to use the correct symbol.
 - d. In one instance, the company failed to use the correct territory.
 - e. In 14 instances, the company failed to use the correct tier eligibility criteria.
 - f. In three instances, the company failed to use the correct driver classification factor.
 - g. In one instance, the company failed to use its filed rules by not using the correct deductible factor.

- h. In one instance, the company failed to use the uninsured motorist rates on file.
- (6) The examiners found one violation of § 38.2-2234 B of the Code of Virginia. The company failed to properly rate the policy based upon credit information obtained.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau reviewed six automobile cancellations that were initiated by the company where the company mailed the notices prior to the 60th day of coverage in the initial policy period. As a result of this review, the examiners found overcharges totaling \$48.54 and no undercharges. The net amount that should be refunded to insureds is \$48.54 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau reviewed six automobile cancellations that were initiated by the company where the company mailed the notices on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found overcharges totaling \$18.21 and no undercharges. The net amount that should be refunded to insureds is \$18.21 plus six percent (6%) simple interest.

- (1) The examiners found five violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written notice of an Adverse Action Decision (AUD).
- (2) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (3) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (4) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to retain valid proof of mailing the notice of cancellation to the lienholder.
- (5) The examiners found one violation of § 38.2-2212 D of the Code of Virginia. The company cancelled the insured's motor vehicle policy for a reason not permitted by the Code of Virginia.

- (6) The examiners found eight violations of § 38.2-2212 E of the Code of Virginia.
- a. In two instances, the company failed to send the cancellation notice at least 45 days prior to the effective date of the cancellation.
 - b. In five instances, the company failed to advise the insured of his right to request a review by the Commissioner of Insurance.
 - c. In one instance, the company failed to advise the insured of the availability of other insurance through his agent, another insurer, or the Virginia Automobile Insurance Plan (VAIP).

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed 20 automobile cancellations that were initiated by the company for nonpayment of the policy premium. As a result of this review, the examiners found overcharges totaling \$17.64 and undercharges totaling \$5.36. The net amount that should be refunded to insureds is \$17.64 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found three violations of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the cancellation notice to the insured.
- (3) The examiners found 20 violations of § 38.2-2212 E of the Code of Virginia. The company failed to advise the insured of his right to request a review by the Commissioner of Insurance.

REQUESTED BY THE INSURED

The Bureau reviewed six automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$97.18 and undercharges totaling \$6.74. The net amount that should be refunded to insureds is \$97.18 plus six percent (6%) simple interest.

- (1) The examiners found four violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found three occurrences where the company failed to comply with the provisions of the insurance contract.
 - a. In one instance, the company failed to honor the cancellation date requested by the insured.
 - b. In two instances, the company failed to obtain advanced written notice of cancellation from the insured.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of another Virginia law.

The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

Company-Initiated Non-renewals – Automobile Policies

The Bureau reviewed ten automobile non-renewals that were initiated by the company.

- (1) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The

company failed to obtain valid proof of mailing the non-renewal notice to the insured.

- (2) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to retain proof of mailing the non-renewal notice to the insured.
- (3) The examiners found 11 violations of § 38.2-2212 E of the Code of Virginia.
 - a. In two instances, the company failed to state the specific reason for refusing to renew the policy.
 - b. In nine instances, the company failed to advise the insured of his right to request a review by the Commissioner of Insurance

CLAIMS REVIEW

Automobile Claims

The examiners reviewed 60 automobile claims for the period of April 1, 2011 through March 31, 2012. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$736.50 and underpayments totaling \$105,365.76. The net amount that should be paid to claimants is \$105,341.76 plus six percent (6%) simple interest.

- (1) The examiners found 13 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.

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

- (2) The examiners found 23 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were

pertinent to the claim.

- a. In five instances, the company failed to properly calculate the insureds' disappearing deductible on Collision or Other Than Collision Coverage when the file indicated that the benefit was applicable to the loss.
- b. In two instances, the company failed to properly inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
- c. In four instances, the company failed to properly inform an insured of his Transportation Expense coverage when the file indicated the coverage was applicable to the loss.
- d. In 12 instances, the company failed to 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 four violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.
- (4) The examiners found two 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.
- (5) The examiners found 11 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 one instance, the company failed to reimburse the insured his portion of the collision deductible under the UMPD coverage.
- b. In two instances, the company failed to pay the insured's rental benefits, available under the UMPD and/or UIM coverage.
- c. In three instances, the company failed to pay the proper sales and use tax, title fee, and license fee on first party total loss settlements.
- d. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
- e. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expense coverage.
- f. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Other Than Collision or Collision coverage.

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

- (6) The examiners found four violations 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.
- (7) The examiners found one violation of 14 VAC 5-400-80 E. The company failed to document all information relating to the application of betterment or

depreciation in the claim.

- (8) 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.
- (9) The examiners found one violation 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.
- (10) The examiners found 12 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.

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

- (11) The examiners found one violation of § 38.2-510 C of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
- (12) The examiners found 15 occurrences where the company failed to comply with the provisions of the insurance contract.
 - a. In one instance, the company incorrectly advised the insured that a police report was required on an UMPD claim.
 - b. In two instances, the company failed to include the lienholder on the check.
 - c. In four instances, the company paid an insured more than he/she was entitled to receive under the terms of his/her policy
 - d. In four instances, the company failed to pay the claim in accordance with

the terms of the policy.

- e. In four instances, the company overpaid the sales tax, title, and/or tag transfer fees on total loss claims.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as violations of other Virginia laws.

The examiners found 42 violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

REVIEW OF FORMS

The examiners reviewed the company's 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 company's 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 company. In addition, the Bureau requested copies of new and renewal business policy mailings that the company was processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance section of the Report. The examiners then reviewed the forms used on these policies to verify the company's current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 18 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.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the company's policy issuance process for the line examined, the examiners requested new and renewal business policy mailings that were sent after the company received the Examination Data Call. The company was instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the company enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The company provided five new business policies mailed on the following dates: May 29, 2012 and May 30, 2012. In addition, the company provided five renewal business policies mailed on the following dates: May 18, 19, 21, 22, 2012 and June 6, 2012.

NEW BUSINESS POLICIES

- (1) The examiners found two violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company failed to list the Towing and Labor endorsement on the declaration page.
- (2) The examiners found five violations of § 38.2-2202 B of the Code of Virginia. The company failed to provide the insured the rejection of higher uninsured motorist limits notice as required by the statute.

RENEWAL BUSINESS POLICIES

- (1) The examiners found three violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company failed to list the Towing and Labor endorsement on the declaration page.
- (2) The examiners found one violation of § 38.2-1905 A of the Code of Virginia. The company failed to provide the at-fault accident dates on the Point Surcharge notice.
- (3) The examiners found two violations of § 38.2-2230 of the Code of Virginia. The company failed to provide the Rental Reimbursement notice on a motor vehicle policy that provided Other Than Collision or Collision coverage.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the company's statutory notices used during the examination period and those that are currently used for the line of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for the line of business listed below, the Bureau requested copies from the company. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the company on all applications, on all policies, and those special notices used for vehicle policies issued on risks located in Virginia complied with the Code of Virginia.

General Statutory Notices

The examiners found no violations in this area.

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-2202 B of the Code of Virginia. The company's rejection of higher Uninsured Motorist Limits notice is not in the precise language and in boldface type as required by the Code of Virginia.
- (2) The examiners found one violation of § 38.2-2230 of the Code of Virginia. The company failed to have available for use a Rental Reimbursement notice.
- (3) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company failed to include all of the information required by the statute in its Insurance Credit Score Disclosure notice.

Other Notices

The company provided copies of three other notices including applications that were used during the examination period.

The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to include the insured's right to request a review by the

Commissioner of Insurance.

LICENSING AND APPOINTMENT REVIEW

Agent

The examiners found three violations of § 38.2-1833 of the Code of Virginia. The company failed to appoint an agent within 30 days of the date of the application.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the company's complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the company's information security program that protects the privacy of policyholder information.

The company submitted its information security program as required by § 38.2-613.2 of the Code of Virginia.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Unless otherwise noted, a ten percent (10%) error criterion was applied to all operations of the company with the exception of claims handling. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, 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

Consumers Insurance USA, Inc. shall:

Provide a Corrective Action Plan (CAP) with its response to this report.

Rating and Underwriting Review

Consumers Insurance USA, Inc. shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited During the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

- (4) Specify accurate information in the policy by showing all applicable forms on the declarations page.
- (5) State the correct deductible amount on the declarations page.
- (6) Properly assign points under a Safe Driver Insurance Plan (SDIP) to the vehicle customarily driven by the operator incurring the points.
- (7) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, territory, tier eligibility, rounding rule, and credit information rule.
- (8) Provide coverage under the policy to any insured and all operators with permissive use in accordance with § 38.2-2204 of the Code of Virginia.

Termination Review

Consumers Insurance USA, Inc. shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Provide a written AUD notice to the insured when the policy is terminated due to adverse underwriting.
- (5) Calculate earned premium according to the filed rules and policy provisions.
- (6) Obtain and retain valid proof of mailing the notice of cancellation or non-renewal

to the insured and lienholder.

- (7) Provide proper notice of non-renewal to the insured.
- (8) Cancel private passenger automobile policies only for those reasons permitted by § 38.2-2212 of the Code of Virginia when the notice is mailed after the 59th day of coverage.
- (9) Send the cancellation notice at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.
- (10) Advise the insured of his/her right to review by the Commissioner of Insurance when policies cancel due to non-payment of premium and/or when policies non-renew.
- (11) Advise the insured of the availability of other insurance through their agent, another insurer, or the VAIP when policies cancel due to non-payment of premium and/or when policies non-renew.
- (12) Obtain a written request for cancellation from the insured before processing insured requested cancellations.
- (13) State the specific reason for refusing to renew an automobile policy in the non-renewal notice sent to an insured.

Claims Review

Consumers Insurance USA, Inc. 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 company acknowledges that it has paid the underpayments listed in the file.

- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.
- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular emphasis should be given to rental benefits available under UMPD, Transportation Expense coverage, and Medical Expense Benefits coverage.
- (6) 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.
- (7) Include the correct statement of coverage under which payments are made with all claim payments made to insureds.

Review of Policy Issuance Process

Consumers Insurance USA, Inc. shall:

- (1) Specify accurate information in the policy by listing forms applicable to the policy on the declarations page.
- (2) Provide the at-fault accident dates on the Point Surcharge notice.
- (3) Provide the higher Uninsured Motorist limits notice on all new business policies.
- (4) Provide the Rental Reimbursement notice on a motor vehicle policy when Collision or Other Than Collision coverage exists.

Review of Statutory Notices

Consumers Insurance USA, Inc. shall:

- (1) Amend the Uninsured Motorist Limits notice to comply with the Code of Virginia.
- (2) Amend the cancellation notice to use the precise language in its notice of right to

review by the Commissioner of Insurance.

- (3) Develop a Rental Reimbursement notice that complies with the Code of Virginia.
- (4) Amend the Credit Score Disclosure notice to comply with the Code of Virginia.

Licensing and Appointment Review

Consumers Insurance USA, Inc. shall:

Appoint agents within 30 days of the application.

PART THREE – RECOMMENDATIONS

The examiners also found violations that did not appear to rise to the level of business practices by the company. The company should carefully scrutinize these errors and correct the causes before these errors become business practices. These errors will not be included in the settlement offer. Also listed below are recommendations regarding the company's practices that require some action by the company.

We recommend the company take the following actions:

Rating and Underwriting

- The company should amend the declarations page by adding a space between the effective date and the time of the policy.
- The company should amend the wording on the declarations page for the "Comp," "Rental," and "Roadside Assistance" to "Other-Than-Collision," "Transportation Expense," and "Towing and Labor Costs," respectively, to reflect the terminology in the Personal Auto Policy.
- The company should remove the Fraud notice (IL N 106 09 03) and the U.S. Treasury Department's OFAC notice (IL 001 01 04) from the declarations page.
- The company should file a rule clarifying that the company charges an SR22 fee when it is first applied to the policy and not on subsequent

renewal policies.

Claims

- The company should make an appropriate reply within ten working days to communications reasonably suggesting a response was expected.
- The company should make all claim denials in writing and keep a copy in the claim file.
- The company should provide the vehicle owner a copy of the estimate for the cost of repairs.
- The company should document information relating to the application of betterment or depreciation in the claim.
- The company should adopt and implement reasonable standards for the prompt investigation of claims.
- The company should make prompt, fair and equitable settlements of claims where liability is reasonably clear.
- The company should notify insureds and claimants of aftermarket parts usage only when aftermarket parts are written in the estimate.
- The company should obtain a written authorization from an insured prior to making payments directly to the medical provider.
- The company should amend the terminology on their automobile claims documents to read "Medical Expense Benefits."
- The company should use the terminology "Other Than Collision" instead of the acronym "OTC" on its checks.
- The company should comply with the provisions of their contract.
- The company should include the fraud statement on all claim forms required by the company as a condition of payment.
- The company should verify Medicare liens prior to issuing payments.

Policy Issuance Process

- The company should change the term "Comprehensive" to "Other Than Collision" on its declaration page.
- The company should change the term "Roadside Assistance" to "Towing and Labor" on its declaration page.

- The company should correct the date and time formatting error on its application and declaration page.
- The company should specify Option 1 or Option 2 on its declaration page when Transportation Expense is an applicable coverage.

Statutory Notices

- The company should revise its "Important Information Regarding Your Insurance" notice to include the toll free and TDD phone numbers.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted a prior market conduct examination of the private passenger automobile line of business of Consumers Insurance USA, Inc. as of August 31, 2008.

During the examination, the company violated §§ 38.2-305 A, 38.2-305 B, 38.2-510 A 3, 38.2-510 A 10, 38.2-511, 38.2-604, 38.2-604.1, 38.2-610 A, 38.2-1812, 38.2-1833, 38.2-1905 A, 38.2-1906 A, 38.2-1906 D, 38.2-2202 A, 38.2-2202 B, 38.2-2204, 38.2-2208, 38.2-2210, 38.2-2212 D, 38.2-2212 E, 38.2-2214, 38.2-2220, 38.2-2223, 38.2-2230, 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 5-400-60 B, 14 VAC 5-400-70 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code.

ACKNOWLEDGEMENT

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

Sincerely,

A handwritten signature in cursive script that reads "Karen S Gerber".

Karen S. Gerber
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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www.scc.virginia.gov/boi

March 28, 2013

VIA UPS 2nd DAY DELIVERY

Mr. Dennis, Kunkel
Chief Financial Officer
Consumers Insurance USA, Inc.
1620 Gateway Blvd. Suite 201
Murfreesboro, TN 37129

RE: Market Conduct Examination
Consumers Insurance USA, Inc. (NAIC#: 10204)
Examination Period: April 1, 2011 through March 31, 2012

Dear: Mr. Kunkel:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of April 1, 2011 through March 31, 2012. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since February 6, 2013. Also enclosed are several 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 company, I would urge you to closely review the report. Please provide a written response. When the company responds, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the company to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report. The company does not need to respond to any particular item with which it agrees. If the company disagrees with an item or wishes 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 company provides written documentation to support its position.

Secondly, if the company has comments it wishes to make regarding Part Two 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 company should outline the actions it is taking to prevent those issues from becoming a business practice.

Thirdly, the company should provide a corrective action plan that addresses all of the issues identified in the examination. In some cases, the issues that should be addressed in the plan may be broader than those that are in Part Three of the Report.

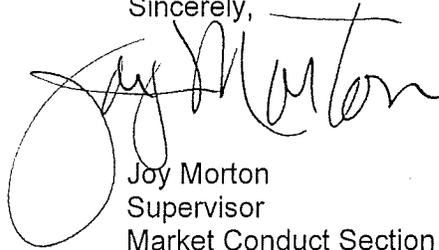
Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by May 1, 2013.

After the Bureau has received and reviewed the company's 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 May 1, 2013.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Morton". The signature is fluid and cursive, with a large loop at the beginning.

Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Karen Gerber

From: Joy Morton
Sent: Monday, May 06, 2013 2:51 PM
To: Dennis Kunkel
Cc: Karen Gerber; 'Phyllis Catron'; Anne Roquette; Gail Damesworth
Subject: Company's response to the Preliminary Report

Dennis:

I left you a voice message concerning the company's response to the preliminary report. The letter accompanying the preliminary report requests that the company respond in the order of the report. The response should follow the headings and numbering in the report. Consumers did not follow these instructions. Further, the company was instructed not to include any personal identifiable information in its response, the company included insured names and claim numbers in its response. The company should rewrite its response to the preliminary report and submit it to the Bureau on or before June 3, 2013.

If you have any questions or need our assistance please feel free to contact me.

Joy Morton, MCM
Supervisor
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

Consumers

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Insurance USA

P.O. Box 12269 Murfreesboro, TN 37129 Phone: 615-896-6133 Fax: 615-896-0766 Visit us online at www.citusa.com

STATE CORP COMMISSION
13 JUN -4 PM 9:03

May 31, 2013

Ms. Joy Morton
Commonwealth of Virginia
Market Conduct Section
Property & Casualty Division
P.O. Box 1157
Richmond, VA 23218

Re: Market Conduct Examination
Consumers Insurance USA, Inc. (NAIC #10204)
Examination Period: April 1, 2011 through March 31, 2012

Dear Ms. Morton:

Enclosed is our revision report as requested.

Please contact me if you have any questions.

Sincerely,



Dennis W. Kunkel
CFO

CC: Phyllis Catron, Gail Damesworth, Anne Roquette, Karen Gerber

PART ONE – THE EXAMINERS’ OBSERVATIONS

Below are our responses/comments on the items found in Part One – The Examiners’ Observations. If an item is not addressed below, then we agree with the Bureau’s observation and have no additional comments.

CLAIMS REVIEW

Automobile Claims

- (5)d. The Company disagrees with this violation. Please see Exhibit A.1 for justification for this decision.
- (12) The Company disagrees with this violation due to it being withdrawn after the Company received the preliminary report. Please see Exhibit A.1 for justification for this decision. With this withdrawal, the Company disagrees with the underpayment value assessed for this claim as well.

PART TWO – CORRECTIVE ACTION PLAN

Below are our responses/comments to the items found in Part Two – Corrective Action Plan. Each item below represents each violation listed, the company’s corrective action plan for that item, and the company’s expected completion date.

Rating and Underwriting Review

- (1) We have sent refunds to the Insureds as per the Restitution Spreadsheet included with this response.
- (2) We have included 6% simple interest with the refunds as per the Restitution Spreadsheet included with this response.
- (3) This has been completed and returned with our response.
- (4) The company will show all applicable forms on the declarations page. This has been corrected as of 12/26/2012.
- (5) The company will state the correct deductible amount of the declarations page. This has been corrected as of 08/17/2012.
- (6) The company will properly assign SDIP points to the vehicle customarily driven by the operator incurring the points and make any necessary filings with the Bureau. This will be completed by the end of the 2nd quarter of 2014.

- (7) The company will ensure that all rules and rates on file with the Bureau are being used as filed. This will be completed by the end of the 2nd quarter of 2014.
- (8) The company will provide coverage under the policy to any insureds and all operators with permissive use. This has been corrected as of 06/01/2012.

Termination Review

- (1) The company has sent refunds to the Insureds as per the Restitution Spreadsheet included with this response.
- (2) We have included 6% simple interest with the refunds as per the Restitution Spreadsheet included with this response.
- (3) This has been completed and returned with our response.
- (4) The company will provide a written AUD notice to the insured when the policy is terminated due to adverse underwriting. This will be completed by the end of the 4th quarter of 2013.
- (5) The company will calculate earned premium according to filed rules and policy provisions. This will be completed by the end the 3rd quarter of 2013.
- (6) The company will obtain and retain valid proof of mailing the notice of cancellation or non-renewal to the insured and lienholder. This will be completed by the end of the 1st quarter of 2014.
- (7) The company will provide proper notice of non-renewal to the insured. This will be completed by end of the 4th quarter of 2013.
- (8) The company will cancel private passenger automobile policies only for those reasons permitted when the notice is mailed after the 59th day of coverage. This has been corrected as of 10/19/2012.
- (9) The company will send the cancellation notice at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage. This has been corrected as of 10/19/2012.
- (10) The company will advise the insured of their right to review by the Commissioner when policies cancel due to non-payment of premium and/or when policies non-renew. This will be completed by the end the 3rd quarter of 2013.
- (11) The company will obtain a written request for cancellation from the insured before processing insured requested cancellations. This has been corrected as of 10/19/2012.
- (12) The company will state the specific reason for refusing to renew an automobile policy in the

non-renewal notice to an insured. This will be completed by end of the 4th quarter of 2013.

Claims Review

- (1) The company has sent refunds to the insureds as per the Restitution Spreadsheet included with this response. Any objection or pending payment has been addressed in Exhibit A.
- (2) We have included 6% simple interest with the refunds as per the Restitution Spreadsheet included with this response.
- (3) This has been completed and returned with our response.
- (4) The company will properly document claim files so that all events and dates pertinent to the claim can be reconstructed. This will be completed by the end the 3rd quarter of 2013.
- (5) The company will document the claim file that all applicable coverages have been discussed with the insured. This will be completed by the end of the 1st quarter of 2014.
- (6) The company will 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. This will be completed by the end of the 1st quarter of 2014.
- (7) The company will include the correct statement of coverage under which payments are made with all claim payments made to insureds. This will be completed by the end of the 4th quarter of 2013.

Review of Policy Issuance Process

- (1) The company will specify accurate information in the policy by listing all applicable forms on the declarations page. This has been corrected as of 12/26/2012.
- (2) The company will provide the at-fault accident dates on the Point Surcharge notice. This will be completed by the end of the 1st quarter of 2014.
- (3) The company will provide the notice of Optional Uninsured Motorists Coverage on all new business policies. This will be completed by the end of the 1st quarter of 2014.
- (4) The company will provide the notice of Rental Reimbursement on all policies where Collision or Other Than Collision coverage exists. This will be completed by the end of the 1st quarter of 2014.

Review of Statutory Notices

- (1) The company will amend the Uninsured Motorist Limits notice to be in compliance. This will be completed by the end of the 3rd quarter of 2013.
- (2) The company will amend cancellation notice to use the precise language in its notice of right to review by the Commissioner. This will be completed by the end of the 3rd quarter of 2013.
- (3) The company will develop a Rental Reimbursement notice that complies with the Code of Virginia. This will be completed by the end of the 1st quarter of 2014.
- (4) The company will amend the Credit Score Disclosure notice to be in compliance. This will be completed by the end of the 1st quarter of 2014.

Licensing and Appointment Review

- (1) The company will appoint agents within 30 days of application. This has already been corrected.

PART THREE– RECOMMENDATIONS

Below are our responses/comments on the items found in Part Three – Recommendations. Each item below represents each recommendation listed, the company's corrective action plan for that item, and the company's expected completion date.

Rating and Underwriting

- (1) The company will amend the declarations page by adding a space between the effective date and the time of the policy. This will be completed by the end of the 4th quarter of 2013.
- (2) The company will amend the wording on the declarations page for the "Comp", "Rental" and "Roadside Assistance" to "Other-Than-Collision", "Transportation Expense", and "Towing and Labor Costs", respectively, to reflect the terminology in the Personal Auto Policy. This will be completed by the end of the 4th quarter of 2013.
- (3) The company will remove the Fraud notice (IL N 106 09 03) and the U.S. Treasury Department's OFAC notice (IL 001 01 04) from the declarations page. This will be completed by the end of the 3rd quarter of 2013.
- (4) The company will provide a written AUD notice to the insured when the policy is terminated due to adverse underwriting. This will be completed by the end of the 4th quarter of 2013.
- (5) The company will file a rule clarifying that the company charges an SR22 fee when it is first applied to the policy and not on subsequent renewal policies. This will be completed by the end of the 3rd quarter of 2013.

Claims

- (1) The company will make an appropriate reply within ten working days to communications reasonably suggesting a response was expected. This was corrected as of 11/21/2011.
- (2) The company will make all claim denials in writing and keep a copy in the claim file. This will be completed by the end of the 1st quarter of 2014.
- (3) The company will provide the vehicle owner a copy of the estimate for the cost of repairs. This will be completed by the end of the 1st quarter of 2014.
- (4) The company will document information relating to the application of betterment or depreciation in the claim. This will be addressed with ongoing monthly training and reviews.
- (5) The company will adopt and implement reasonable standards for the prompt investigation of claims. This was corrected as of 11/21/2011.
- (6) The company will make prompt, fair and equitable settlements of claims where liability is reasonable clear. This was corrected as of 11/21/2011.
- (7) The company will notify insureds and claimants of aftermarket parts usage only when aftermarket parts are written in the estimate. This was corrected as of 08/02/2012.
- (8) The company will obtain a written authorization from an insured prior to making payments directly to the medical provider. This will be completed by the end of the 1st quarter of 2014.
- (9) The company will amend the terminology on their automobile claims documents to read "Medical Expense Benefits". This will be completed by the end of the 1st quarter of 2014.
- (10) The company will use the terminology "Other Than Collision" instead of the acronym "OTC" on its checks. This will be completed by the end of the 4th quarter of 2013.
- (11) The company will comply with the provisions of their contract. This will be addressed with ongoing monthly training and reviews.
- (12) The company will include the fraud statement on all claim forms required by the company as a condition of payment. This was corrected as of 08/02/2012.
- (13) The company will verify medicare liens prior to issuing payments. This has been completed.

Policy Issuance Process

- (1) The company will change the term "Comprehensive" to "Other Than Collision" on its declaration page. This will be completed by the end of the 4th quarter of 2013.
- (2) The company will change the term "Roadside Assistance" to "Towing and Labor" on its

declaration page. This will be completed by the end of the 4th quarter of 2013.

- (3) The company will correct the date and time formatting error on its application and declaration page. This will be completed by the end of the 4th quarter of 2013.
- (4) The company will specify Option 1 or Option 2 on its declaration page when Transportation Expense is an applicable coverage. This will be completed by the end of the 4th quarter of 2013.

Statutory Notices

- (1) The company will revise its "Important Information Regarding Your Insurance" notice to include the toll free and TDD phone numbers. This will be completed by the end of the 3RD quarter of 2013.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
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<http://www.scc.virginia.gov/division/bo>

June 28, 2013

VIA UPS 2nd DAY DELIVERY

Dennis W. Kunkel
Chief Financial Officer
Consumers Insurance USA, Inc.
1620 Gateway Blvd. Suite 201
Murfreesboro, TN 37129

RE: Market Conduct Examination
Consumers Insurance USA, Inc. (NAIC # 10204)
Exam Period: April 1, 2011-March 31, 2012

Dear Mr. Kunkel:

The Bureau of Insurance (Bureau) has reviewed Consumers Insurance USA Inc.'s, May 31, 2013 response to the Preliminary Market Conduct Report (Report). The Bureau has referenced only those items in which the Company has 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

Claims

(5d) The violation for CPA 008 remains in the Report. The Company paid this loss after receiving a violation from the Bureau during the Market Conduct Examination. Further, the Company reached out to the medical provider after receiving the preliminary Report for the assignment of benefits verification. The Company should reimburse the claimant the additional six percent (6%) simple interest.

The restitution for CPA056 remains as entered in the Report. The Company has not provided documentation of the settlement and payments. The Restitution spreadsheet will be updated once this information is received.

(5f) The violation for CPA 048 remains in the Report. The violation for CPA 048 that was withdrawn was the violation for 14 VAC 5-400-30. The Bureau sent the Company four review sheets applicable to this claim. Only one review sheet was withdrawn. The violation of 14 VAC 5-400-70 D is still an active violation in the Report. The Company incorrectly reduced the amount paid for

the loss by applying a \$350 deductible that was not applicable. The insured's policy has a disappearing deductible. The insured had coverage with the Company from 2007 until the date of this loss, with no prior losses. The file indicates the applicable deductible amount should have been \$0. The Company should reimburse the insured the amount shown on the Restitution spreadsheet.

- (12) After further review, the violations for CPA 008 and CPA 056 have been withdrawn from the Report. The Company provided evidence of the Assignment of Benefits. The Report has been renumbered to reflect this change.

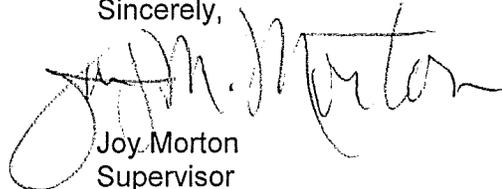
PART TWO CORRECTIVE ACTION PLAN

Terminations

- (1) The Company paid \$51.73 on TPA 030. The amount that should have been paid was \$10.39. The Company should advise the Bureau the reason for the payment of an additional \$41.34.

Enclosed with this letter is a revised version of the Report, technical reports, the Restitution spreadsheets and any review sheets that have been withdrawn, added or altered as a result of this review. The Company's response to this letter is due in the Bureau's office by July 24, 2013

Sincerely,



Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Consumers

service experience trust

Insurance USA

STATE CORP COMMISSION
DIVISION OF INSURANCE

P.O. Box 12269 Murfreesboro, TN 37129 Phone: 615-896-6133 Fax: 615-896-0766 Visit us online at www.citusa.com

13 JUL 15 AM 9:45

July 11, 2013

Ms. Joy Morton
Commonwealth of Virginia
Market Conduct Section
Property & Casualty Division
P.O. Box 1157
Richmond, VA 23218

Re: Market Conduct Examination
Consumers Insurance USA, Inc. (NAIC# 10204)
Examination Period: April 1, 2011 – March 31, 2012

Dear Ms. Morton:

In response to your letter of June 28, 2013, please note the following:

Part One – Examiners' Observations

(5d) – Memo enclosed

(5f) – Copy of check for \$212.00 enclosed

Part Two – Corrective Action Plan

The actual amount paid on TPA30 was \$10.39. The \$10.39 was added to RPA016 in the amount of \$41.34 and paid to the same insured on one check for a total of \$51.73.

Please contact me if you have any questions.

Sincerely,



Dennis W. Kunkel, CFO

cc: Phyllis Catron, Anne Roquette

Consumers

service experience trust **Insurance USA**

P.O. Box 12269 Murfreesboro, TN 37129 Phone: 615-896-6133 Fax: 615-896-0766 Visit
us online at www.ciusa.com

July 9, 2013

TO: Dennis Kunkel

Re: Market Conduct Examination

Claims:

(5.d) CPA 008 We have issued a check for \$129.66 to the insured for 6% interest on medical bills of \$2,160.94, copy of check attached.

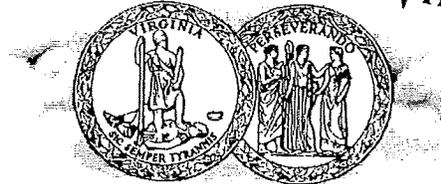
(5.f) CPA056 [REDACTED] We have issued a check to insured for f \$120.00 for 6% interest on the medical expense limit of \$2,000, copy of check is attached. We have settled [REDACTED] UMBI and issued her check for \$1,000.00. She is a Medicare recipient and we are awaiting a final lien from Medicare on her.

[REDACTED] is now separated from [REDACTED] and we are unable to locate him, we used a location service and obtained a new address on him but no phone number available. We hired adjusting company to go to the residence and they have made 6 visit to the new address and unable to find him. Mail has been returned "address unknown". We have paid all his medical expense for total of \$1,176.20 and issuing him a check for 6% interest on \$1,176.20 for \$ 70.57. We are notifying Virginia Unclaimed Property Department.

It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

August 7, 2013

VIA UPS 2nd DAY DELIVERY

Dennis W. Kunkel
Chief Financial Officer
Consumers Insurance USA, Inc.
1620 Gateway Blvd. Suite 201
Murfreesboro, TN 37129

RE: Market Conduct Examination
Consumers Insurance USA, Inc. (NAIC # 10204)
Exam Period: April 1, 2011-March 31, 2012

Dear Mr. Kunkel:

The Bureau of Insurance (Bureau) has concluded its review of the company's response of July 11, 2013. Based upon the Bureau's review of the company's letter, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Consumers Insurance USA, Inc. (Report).

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

Sections 38.2-305 A, 38.2-502, 38.2-510 A 10, 38.2-610 A, 38.2-1833, 38.2-1905 A, 38.2-1905 C, 38.2-1906 D, 38.2-2202 B, 38.2-2204, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2230, 38.2-2234 A, 38.2-2234 B, and 38.2-2234 E of the Code of Virginia; and 14 VAC 5-400-30, 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,

Joy M. Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Consumers

service experience trust

Insurance USA

P.O. Box 12269 Murfreesboro, TN 37129 Phone: 615-896-6133 Fax: 615-896-0766 Visit us online at www.ciusa.com

August 21, 2013

Mary Bannister
Deputy Commissioner
Property and Casualty
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

RE: Market Conduct Examination Settlement Offer
Consumers Insurance USA, Inc.

Dear Ms. Bannister:

This will acknowledge receipt of the Bureau of Insurance's letter dated August 7, 2013, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2-305 A, 38.2-502, 38.2-510 A 10, 38.2-610 A, 38.2-1833, 38.2-1905 A, 38.2-1905 C, 38.2-1906 D, 38.2-2202 B, 38.2-2204, 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, 38.2-2212 E, 38.2-2230, 38.2-2234 A, 38.2-2234 B, and 38.2-2234 E of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$27,200.00.
2. We agree to comply with the corrective action plan set forth in the company's letter of May 31, 2013.
3. We confirm that restitution was made to 57 consumers for \$6,449.96 in accordance with the company's letters of May 31, 2013 and July 11, 2013.
4. We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits.

Consumers

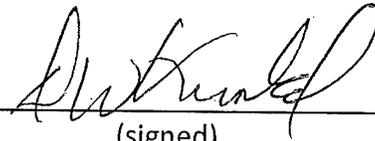
INSURANCE USA

P.O. Box 12269 Murfreesboro, TN 37129 Phone: 615-896-6133 Fax: 615-896-0766 Visit us online at www.ciusa.com

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,

Consumers Insurance USA, Inc.



(signed)

Dennis W. Kunkel

(Type of Printed Name)

CFO

(Title)

8/21/2013

(Date)

066007

Enclosure

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
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Consumers Insurance USA, Inc. has tendered to the Bureau of Insurance the settlement amount of \$27,200.00 by their check numbered 100680 and dated August 21, 2013, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 16, 2013

SEC. CLERK'S OFFICE
STATE CONTROL CE.

2013 SEP 16 A 9:45

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2013-00202

CONSUMERS INSURANCE USA, INC.,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Consumers Insurance USA, Inc. ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Commonwealth"), violated § 38.2-305 A of the Code of Virginia ("Code") by failing to provide the information required by the statute in the insurance policy; violated § 38.2-502 of the Code by misrepresenting the benefits, advantages, conditions or terms of an insurance policy; violated §§ 38.2-610 A, 38.2-1905 A, 38.2-2202 B, 38.2-2230, and 38.2-2234 A of the Code by failing to accurately provide the required notices to insureds; violated § 38.2-1833 of the Code by paying commissions to an agent that was not appointed within 30 days of the application; violated §§ 38.2-1905 C, 38.2-1906 D, 38.2-2234 B, and 38.2-2234 E of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendant; violated § 38.2-2204 of the Code by failing to represent coverage for all permissive users; violated §§ 38.2-2208 A, 38.2-2208 B, 38.2-2212 D, and 38.2-2212 E of the Code by failing to properly terminate insurance policies; and violated § 38.2-510 A of the Code, as well as

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14 VAC 5-400-30, 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.*, 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.

The Defendant has been advised of its right to a hearing in this matter whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has tendered to the Commonwealth the sum of Twenty-seven Thousand Two Hundred Dollars (\$27,200), waived its right to a hearing, agreed to comply with the corrective action plan set forth in its letter to the Bureau dated May 31, 2013, and confirmed that restitution was made to 57 consumers in the amount of Six Thousand Four Hundred Forty-nine Dollars and Ninety-six Cents (\$6,449.96).

The Bureau has recommended that the Commission accept the offer of settlement of the Defendant 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 Defendant, and the recommendation of the Bureau, is of the opinion that the Defendant's offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendant in settlement of the matter set forth herein is hereby accepted.

(2) This case is dismissed, and the papers filed herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Dennis W. Kunkel, Chief Financial Officer, Consumers Insurance USA, Inc., 1620 Gateway Boulevard, Suite 201, Murfreesboro, Tennessee 37129; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.

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