

STATE OF WASHINGTON

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MIKE KREIDLER
STATE INSURANCE COMMISSIONER



OFFICE OF
INSURANCE COMMISSIONER

MAILED
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12:50 PM
12/20/12
Chief Executive Officer

In Re the Matter of

BCS INSURANCE COMPANY,

An authorized insurer.

NO. 11-0247

REVISED NOTICE OF HEARING

TO: Timothy J. Parker
Carney Badley Spellman
701 Fifth Avenue, Suite 3600
Seattle, Washington 98104-7010

The Honorable Mike Kreidler, Insurance Commissioner of the State of Washington, proposes disciplinary action against BCS Insurance Company ("BCS" or "the Company") and hereby issues this Notice of Hearing. The Insurance Commissioner submits the following as the basis of this Notice of Hearing in accordance with RCW 48.04.010.

1. PARTIES AND JURISDICTION

1.1 Pursuant to the Insurance Code, Title 48 RCW, the Insurance Commissioner is authorized to regulate the business of insurance and enforce the insurance laws of Washington State in order to protect the public interest.

1.2 BCS is authorized to transact the business of insurance in Washington State and, therefore, is subject to Title 48 RCW and Chapter 284 WAC. BCS is authorized to issue travel insurance.

1.3 Jurisdiction and venue are appropriate under, among other provisions, RCW 48.02.060, RCW 48.05.185, and RCW 48.04.010.



2. FACTS

2.1 BCS Insurance Company, ("BCS" or "the Company") is an authorized insurer domiciled in Ohio. BCS issues disability and property and casualty insurance, including travel insurance.

2.2 BCS had two filed and approved travel insurance policy and amendatory rider forms since 2005. A market continuum action was commenced in May 2010 because it appeared that the Company was using variations on the filed and approved forms. The reviews revealed that between 2007 and 2009, BCS issued over 500,000 travel insurance policies, on up to seventy-two different forms, that deviated from the two filed and approved forms. By 2010, BCS was marketing 81 separate plans. A review of the multiple policy forms found filed amendatory language was incorporated into the policy forms without reference to the filed form numbers. Contract sections were also not in the order filed. Contract language omitted material words and phrases. Some policy terms were variable, also known as "bracketed," despite the Company having been specifically told in writing in 2002 and again in 2005 that the OIC does not consider variable terms to be compliant with RCW 48.18.100.

2.3 BCS had filed and approved rates since 2005, based on the filed and approved forms in effect at the time of the rate filing. Since 2007, the Company began to market up to seventy-two different products designed for specific clients and business partners containing partial covered reasons and exclusions to filed benefits. The policy forms had benefits with covered conditions or exclusion variations, rate variations, or a combination of both. Inasmuch as rates must conform to the filed benefits, rates marketed for identical benefit policies were found to be inconsistent, depending on who was the customer.

2.4 BCS refiled rates and forms that were approved by the OIC on June 23, 2011.

3. ALLEGED VIOLATIONS OF LAW

3.1 By issuing policy forms to Washington residents that were not filed with and approved by the Commissioner, BCS violated RCW 48.18.100.

- 3.2 By using rates not then approved by the Commissioner, BCS violated RCW 48.19.010(2).
- 3.3 By using rates deviating from the approved rates, BCS violated RCW 48.19.040(6).

4. SANCTIONS REQUESTED

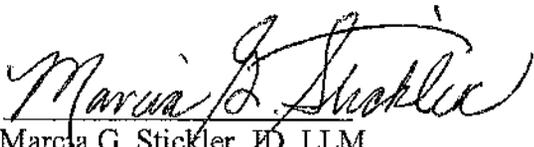
- 4.1 Pursuant to RCW 48.05.185, the Commissioner seeks imposition of a fine against BCS in an amount to be determined at hearing.

5. NOTICE OF HEARING

The OIC will convene a hearing at a date, location and time to be determined to consider the allegations above and the sanctions to be imposed upon BCS pursuant to RCW 48.04.010 and RCW 48.05.185. At the hearing, the OIC will present evidence showing that BCS violated statutes and that the sanctions requested above are authorized under the law. BCS may cross-examine OIC witnesses and present any defenses, evidence, or arguments it may have in opposition.

Dated this 19th day of September, 2012.

MIKE KREIDLER
Insurance Commissioner

By: 
Marcia G. Stickler, JD, LLM
Staff Attorney
Legal Affairs Division

CERTIFICATE OF SERVICE

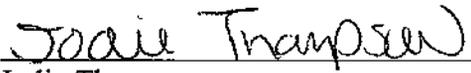
The undersigned certifies under the penalty of perjury under the laws of the State of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the State of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing NOTICE OF HEARING on the following individuals in the manner indicated:

Mr. Timothy Parker
Carney Badley Spellman
701 Fifth Avenue, Suite 3600
Seattle, Washington 98104-7010
(XXX) Via U.S. Mail

Patricia D. Petersen, Chief Hearing Officer
5000 Capitol Boulevard
Tumwater, WA 98501
(XXX) Via Hand Delivery

SIGNED this 20th day of September, 2012, at Tumwater, Washington.



Jodie Thompson