

**State of Rhode Island  
DEPARTMENT OF BUSINESS REGULATION  
Insurance Division  
1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920**

IN THE MATTER OF:

NATIONAL CASUALTY COMPANY

RESPONDENT.

**DBR No. 2021-IN-015**

**CONSENT AGREEMENT**

It is hereby agreed between the Rhode Island Department of Business Regulation (“Department”) and National Casualty Company (“Respondent” or “Nationwide”) as follows:

1. Respondent National Casualty Company is an insurance company domiciled in the state of Ohio and that is licensed as a foreign property and casualty insurance company (NAIC CoCode 11991) and has been licensed in Rhode Island since 1921. Respondent is authorized to write the inland marine line of business (pet insurance is currently categorized as inland marine insurance). In Rhode Island, Respondent markets pet insurance on numerous forms that have been filed for approval by the Department.

2. Respondent is a subsidiary of Nationwide Mutual Insurance Company, and the pet insurance products it markets are branded “Nationwide.”

**Consumer Complaints**

3. Between March 2019 and May 2021, the Department received four consumer complaints concerning the claims handling by Nationwide. Each consumer wrote to the Department because of problems they were experiencing with Nationwide related to the review and payment of their pet insurance claims. The Department investigated each of those consumer

complaints as it came in, and in each case, Nationwide had provided either information that satisfied the Department's initial concerns or paid the claim in a timely manner after the complaint was forwarded to Nationwide. As such, each complaint was closed at the time without an in-depth investigation.

4. However, while conducting routine market conduct analysis in 2021, the Department's market conduct team reviewed the claims together and identified similarities between the four complaints that were not obvious in reviewing any particular complaint. Each complaint included a lengthy medical review process by Nationwide during its claim handling process. And each complaint response from the company included letters identifying that more time was necessary to investigate each claim, but those letters were imprecise as to why additional time was needed. When those similarities were identified, the Department decided to investigate further, leading to this agreement.

#### **Slow Claims Handling Time**

5. Each of the four complaints at its core was a complaint that Nationwide was taking or took too long to process their pet insurance claim. In most of the complaints, there was a need for the consumer, or their veterinarian, to submit medical information for Nationwide to review. And while that might have caused additional time, the primary cause of the delays was caused by Nationwide and its review of the medical history of the covered dogs.

6. Each of the four complaints was tied to an unreasonably long claim processing time. Each of their claims lasted longer than a reasonable consumer, and the Department, would expect an insurance claim should last. Specifically, the four consumers who complained had claims that took 52, 100, 106, and 133 calendar days to close. More specifically, from reviewing the Company's claim files, the Department calculated the following days between when Nationwide received the medical records and the closure of the claim: 42, 71, 81, and 71 calendar days, respectively.

7. Nationwide has explained that due to a combination of reasons, its claim review time for Rhode Island claims was delayed between 2018 and July 2019. For example, in August 2018, Nationwide had an average claim processing time of 29 days. For 2018 as a whole, the average Rhode Island claim processing time was 23.4 days. That metric improved in 2019, and it averaged 14.75 days. By late 2019, the average improved to no higher than 13 days and was 10 days in 2020. And in 2021, Nationwide has averaged just over 7 days to process a Rhode Island claim. Nationwide identified that its average claim processing time increased again during the pandemic, but that in September 2021, it was reduced to 5 days per claim on average.

8. Nationwide understands that its claim review time during the period in question was not optimal. It has explained that some delays were the result of a variety of internal reasons, and that it has addressed those delays.

#### **Letters about Delayed Claim Reviews**

9. Each complaint the Department reviewed included letters from Nationwide to the consumer that appeared intended to notify the consumer of the delay in reviewing their claim. However, those letters did not include sufficient information to comply with Rhode Island's adoption of the unfair claim practice regulation. In one case, the consumer had submitted three claims, and the letter explaining the delay was not specific enough to even clarify which claim review needed additional time.

10. Each of the eight claim delay letters reviewed by the Department included the phrase that the claim "Review was Still in Process," and that "We will contact you in writing if further information is still needed to complete our review." Nationwide understands that the Rhode Island unfair claim practice regulation requires such notifications to the consumer forth the reasons additional time is needed for investigation.

## Relevant Rhode Island Law and Regulations

11. R.I. Gen. Laws § 27-9.1-4 is the Rhode Island Unfair Claims Settlement Practices Act, and includes numerous provisions requiring the prompt acknowledgment, investigation, communication related to consumer claims, including the following:

“(2) Failing to acknowledge and act with reasonable promptness upon pertinent communications with respect to claims arising under its policies; and

(3) Failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies.”

12. 230-RICR-20-40-2.7B states that “If the Insurer needs more time to determine whether a first party claim should be accepted or denied, it shall notify the first party claimant within twenty-one (21) days after receipt of the proofs of loss, giving the reasons more time is needed.” And then if more time is needed thereafter, “the insurer shall, forty-five (45) days from the initial notification and every forty-five (45) days thereafter, send to the first party claimant a letter setting forth the reasons additional time is needed for Investigation.”

13. R.I. Gen. Laws § 42-14-16 outlines administrative penalties available for violations of the above cited laws, including fines up to \$50,000 per violation.

THEREFORE, based on the foregoing, Nationwide and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following:

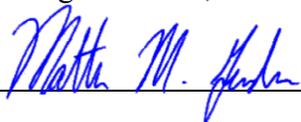
- I. During the relevant time, Nationwide had adopted processes to ensure prompt investigation of claims and processed 96% of Rhode Island claims within 30 days. However, Nationwide acknowledges that the remaining percentage fell outside that processing time.
- II. Nationwide acknowledges that its process of sending out letters that stated that the “Review was Still in Process” did not comply with the Rhode Island regulations requiring that they notify the claimant why additional time was necessary to investigate the claim.
- III. Nationwide agree to provide a corrective action plan within one-hundred and twenty (120) days of the execution of this agreement. That corrective action plan will outline the updated

business processes, policyholder communications and company oversight/monitoring to ensure timely review and payment of claims.

- IV. Nationwide revised its “Review is Still in Process” letters and placed the revised letters into production in October 2021.
- V. Nationwide agrees to pay an administrative fine within thirty-days of twenty thousand dollars (\$20,000) to resolve this matter.
- VI. Waiver of Hearing and Appeal. By agreeing to resolve this matter through the execution of this Consent Agreement, Nationwide knowingly and voluntarily waives any right to an administrative hearing and waives any right to pursue an appeal to the Superior Court under the Rhode Island Administrative Procedures Act, R.I. Gen. Laws § 42-35-1 *et seq.*
- VII. Enforcement. If the Nationwide fails to comply with any term or condition of this Consent Agreement within any applicable time period set forth herein, the Nationwide will be in violation hereunder and the Department shall be entitled to immediately to take enforcement or other action in accordance with applicable law.
- VIII. Compliance; Other Laws. Compliance with the terms of this Consent Agreement does not relieve the Nationwide of any obligation to comply with other applicable laws or regulations administered by or through the Department or any other governmental agency.

Counsel for the Department and Nationwide hereby consent and agree to the foregoing on behalf of their respective clients this 22 day of February 2022.

Department of Business Regulation  
By its Legal Counsel,



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National Casualty Company  
By its Officer,



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