

STATE OF ARIZONA

NOV 3 1993

DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE
By

In the Matter of)	Docket No. 8226
)	
PROVIDENCE WASHINGTON INSURANCE COMPANY)	CONSENT ORDER
YORK INSURANCE COMPANY)	
COLORADO CASUALTY INSURANCE COMPANY)	
)	
Respondents.)	
_____)	

A Market Conduct Examination of Respondents, Providence Washington Insurance ("PW"), York Insurance Company ("Y") and Colorado Casualty Insurance Company ("CC"), was conducted by Market Conduct Examiners ("the Examiners") for the Arizona Department of Insurance ("ADOI"). Based on the Report of Market Conduct Examination prepared by the Examiners, it is alleged that Respondents have violated provisions of the Arizona Revised Statutes, Title 20, including Sections 20-385, 20-400.01, 20-461, 20-1120, 20-1674, 20-1676, 20-1677 and A.C.C. R4-14-801. Respondents wish to resolve this matter without formal adjudicative proceedings and hereby agree to a Consent Order.

The Director of Insurance of the State of Arizona ("the Director") enters the following Findings of Fact and Conclusions of Law, which are neither admitted nor denied by Respondents, and the following Order.

FINDINGS OF FACT

1. Respondents are authorized to transact property and casualty insurance, pursuant to a Certificate of Authority issued by the Director.

.....

1 2. The Examiners were authorized by the ADOI to conduct a
2 market conduct examination of Respondents. The on-site
3 examination was concluded as of January 29, 1993 and a Report of
4 Examination ("Report") was written. The Examiners reviewed open
5 and closed claim files from September 30, 1988 through November
6 28, 1992. Also, the Examiners reviewed underwriting, rating and
7 cancellation files from January 1, 1991 through December 31,
8 1992.

9 3. Respondents are members of the Insurance Services
10 Office ("ISO"), a property and casualty rating organization duly
11 licensed by the ADOI to file rates and forms on behalf of its
12 members. ISO files forms on behalf of Respondents and ISO rates
13 and Respondents filed deviations therefrom are used for
14 commercial lines. Rates, rules and forms filed by ISO on
15 Respondents' behalf are included in any reference in Findings of
16 Fact 4 through 20 below to Respondents' "filings" and "filed
17 rates and rules".

18 4. The Examiners found that Respondents applied unfiled
19 "A" rates in rating seven (7) commercial policies.

20 5. Respondents issued three (3) commercial package ("CP")
21 policies, #CCP100485, #CPP101022 and #CPP100274, in which they
22 failed to follow ISO rates or minimum premiums for hired and
23 non-owned automobile coverages.

24 6. Respondents issued three (3) CP policies, #CPP103341,
25 #CPP100726 and #CPP103369, in which they failed to follow their
26 filings regarding additional insureds.

27
28

1 7. Respondents issued two (2) CP policies, #CPP100311 and
2 #CPP100861, in which they failed to follow their filings
3 regarding Employee Benefits minimum premium.

4 8. Respondent issued CP Policy #CPP102553 in which the
5 company used a package modifier on a monoline file.

6 9. Respondent issued CP Policy #CPP102553 in which the
7 company failed to follow its filed rules regarding Account
8 eligibility.

9 10. Respondents issued six (6) CP policies in which they
10 failed to follow their filed rates regarding the Company
11 deviation factor.

12 11. Respondents issued twenty-six (26) CP policies in which
13 they applied an incorrect package modification factor in rating
14 the policies.

15 12. Respondents issued four (4) CP policies in which they
16 applied a credit or debit which exceeded the individual risk
17 characteristic allowed by their filings.

18 13. Respondents issued binders for two (2) CP policies,
19 #CPP101798 and #CPP102430, in excess of ninety (90) days beyond
20 their effective date without obtaining the written approval of
21 the Director.

22 14. Respondents issued eight (8) CP policies in which they
23 failed to give the insureds the required sixty (60) day notice
24 of premium increase.

25 15. Respondents issued ten (10) CP, one (1) Automobile
26 Commercial ("ACP") and twenty-three (23) Business Owners ("BOP")
27 policies in which they failed to adequately document in the file
28 IRPM and/or Schedule Rating ("SR") Plan debits or credits.

1 16. Respondents issued thirteen (13) BOP, twenty-three
2 (23) ACP and fifteen (15) CP policies in which they failed to
3 document IRPM and/or SR debits or credits.

4 17. Respondents cancelled three (3) policies, #BOP101741,
5 #ACP102247 and #CPP102379, but failed to send any notice to the
6 insureds of policy cancellation.

7 18. Respondents issued Policies #CPP102430, #CPP100605 and
8 #ACP101598, in which they failed to give the insureds the
9 required sixty (60) day notice of policy nonrenewal.

10 19. Respondents failed to include the applicable sales
11 taxes and/or fees in three (3) automobile total loss
12 settlements: Claim #01-029035 in the amount of \$402.10,
13 #01-029165 in the amount of \$1269.75 and #01-031547 in the
14 amount of \$13.50.

15 20. Respondents made deductions from automobile total loss
16 settlements for reconditioning of the vehicles on Claim
17 #01-025443 in the amount of \$80.00 and on #01-025890 in the
18 amount of \$80.00.

19 CONCLUSIONS OF LAW

20 1. Respondents violated A.R.S. § 20-400.01(A) by
21 developing premiums for risks effective after August 18, 1987 in
22 a manner not consistent with filings made by Respondents
23 pursuant to A.R.S. § 20-385(A).

24 2. Respondents violated A.R.S. § 20-400.01(B) by making
25 rate adjustments which were inconsistent with Respondents filed
26 rules or the files did not contain adequate documentation to
27 support the adjustment.

28

1 3. Respondents violated A.R.S. § 20-1120(B) and (C) by
2 binding coverage over ninety (90) days without the written
3 permission of the Director.

4 4. By failing to send notices of premium increase, change
5 in deductible or substantial reduction in coverage of commercial
6 policies at least sixty (60) days before the expiration date of
7 the policies, Respondents violated A.R.S. § 20-1677(A).

8 5. Respondents violated A.R.S. § 20-1674(A) by failing to
9 deliver a notice of commercial policy cancellation to an insured
10 at least sixty (60) before the cancellation of the policy.

11 6. Respondents violated A.R.S. § 20-1676(B) by failing to
12 deliver a notice of commercial policy non-renewal to an insured
13 at least sixty (60) days before the termination date of the
14 policy.

15 7. By failing to pay the full amount of sales taxes and
16 license fees required for the purchase of comparable automobiles
17 to first party claimants in their settlement of first party
18 automobile total loss claims, Respondents violated A.C.C. Rule
19 4-14-801(H)(1)(b) and A.R.S. § 20-461(A).

20 8. By deducting for reconditioning vehicles from monies
21 owed to first party claimants in their settlement of first party
22 automobile total loss claims, Respondents violated A.C.C. Rule
23 4-14-801(H)(1)(b) and A.R.S. § 20-461(A).

24 9. Grounds exist for the Director to suspend the
25 Certificate of Authority of the Respondents pursuant to A.R.S. §
26 20-220.

27 10. Grounds exist for the entry of all other provisions of
28 the following Order.

1 3. The Respondents have complied with the remaining
2 recommendations contained in the Report by submitting to the
3 ADOI written action plans and procedures for the following:

4 a. procedures to assure that all taxes and fees are
5 paid on automobile total loss settlements as required by A.C.C.
6 R4-14-801(H)(1)(b).

7 b. procedures to assure that any deductions from the
8 actual cash value of automobile total loss settlements shall be
9 measurable, discernible, itemized and specified as to dollar
10 amount and shall be appropriate in amount as specified in A.C.C.
11 R4-14-801(H)(1)(c).

12 c. procedures to assure that all personnel,
13 including agency personnel, complete all required documentation
14 of underwriting files and file any adjustments to manual rates
15 with the ADOI, as required by A.R.S. § 20-400.01.

16 d. procedures to assure that binders do not exceed
17 the period of ninety (90) days without the written approval of
18 the Director of Insurance as required by A.R.S. § 20-1120.

19 e. procedures to assure that notices of cancellation
20 or nonrenewal are sent to commercial insureds at least sixty
21 (60) days before the effective date of the cancellation or
22 nonrenewal as required by A.R.S. §§ 20-1674 and 20-1676.

23 f. procedures to assure that sixty (60) days in
24 advance of the expiration date of the policy, the commercial
25 insured receives written notification of premium increase,
26 change in deductible, reduction in limits or substantial
27 reduction in coverage as required by A.R.S. § 20-1677.

28

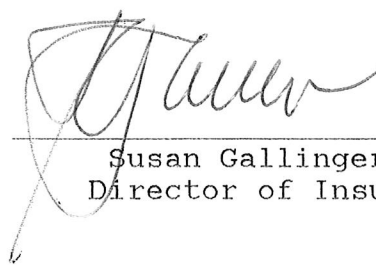
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4. The ADOI shall be permitted, through authorized representatives, to verify Respondents have fully complied with all requirements of this Order, and the Director may separately order Respondents to comply.

5. Respondents shall pay a civil penalty of Twelve Thousand Dollars (\$12,000.00) to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. §20-220(B). Said Twelve Thousand Dollars (\$12,000.00) shall be provided to the Hearing Division of the ADOI on or before October 29, 1993.

6. The January 29, 1993 Report of Examination, to include any objections to the Report by Respondents, shall be filed with the ADOI.

DATED at Phoenix, Arizona this 3rd day of November, 1993.



Susan Gallinger
Director of Insurance

.
.
.
.

1
2
3 CONSENT TO ORDER

4 1. Respondents, Providence Washington Insurance Company,
5 York Insurance Company and Colorado Casualty Insurance Company
6 have reviewed the foregoing Consent Order.

7 2. Respondents are aware of their right to a hearing at
8 which hearing Respondents may be represented by counsel, present
9 evidence and cross-examine witnesses. Respondents have
10 irrevocably waived their right to such public hearing and to any
11 court appeals relating thereto.

12 3. Respondents admit the jurisdiction of the Director of
13 Insurance, State of Arizona, and consent to the entry of this
14 Consent Order.

15 4. Respondents state that no promise of any kind or
16 nature whatsoever was made to them to induce them to enter into
17 this Consent Order and that they have entered into this Consent
18 Order voluntarily.

19 5. Respondents acknowledge that the acceptance of this
20 Order by the Director of Insurance, State of Arizona, is
21 solely for the purpose of settling this matter against them and
22 does not preclude any other agency or officer of this state or
23 subdivision thereof from instituting other civil or criminal
24 proceedings as may be appropriate now or in the future.

25 6. JOSEPH T. RECINE represents that as
26 Spec. V.P. he is an officer of Respondents and that, as
27 such, he is authorized by them to enter into this Consent Order
28 on its behalf.

PROVIDENCE WASHINGTON INSURANCE COMPANY
YORK INSURANCE COMPANY
COLORADO CASUALTY INSURANCE COMPANY

October 22, 1993
(Date)

By Joseph T. Recine
Joseph T. Recine

CPRIOR
to sell
to
Guaranty
National

1 COPY of the foregoing mailed/delivered
2 this 3rd day of November, 1993, to:

3 Katrina Rogers
4 Chief Hearing Officer
5 Deloris E. Williamson
6 Assistant Director
7 Rates & Regulations Division
8 *Saul R. Saulson
9 Examinations Supervisor
10 Rates & Regulations Division
11 Maureen Catalioto
12 Licensing Supervisor
13 Rates & Regulations Division
14 Jay Rubin
15 Assistant Director
16 Investigations Division
17 Gary Torticill
18 Assistant Director and Chief Financial Examiner
19 Corporate Affairs & Financial Division
20 DEPARTMENT OF INSURANCE
21 2910 North 44th Street, Suite 210
22 Phoenix, AZ 85018

23 Mary Clare Decker, Esq.
24 Second Vice President, Associate General Counsel
25 & Corporate Secretary
26 The PW Group
27 P.O. Box 518
28 Providence, Rhode Island 02901-0518

Chris Crawford