

JUN 2 2009

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY 

In the Matter of:

COAST NATIONAL INSURANCE COMPANY,
NAIC # 25089,
Respondent.

) Docket No. 09A-061-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a targeted examination of Coast National Insurance Company ("CNIC"). In the Report of Examination of the Market Conduct Affairs of CNIC, the examiners allege that CNIC violated A.R.S. §§20-461, 20-1631, 20-1632, and 20-2106 and A.A.C. R20-6-801.

CNIC wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. CNIC is authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.

2. The Director authorized the examiners to conduct a target market conduct examination of CNIC. The examination covered the time period from July 1, 2007 to June 30, 2008 and concluded on February 12, 2009. Based on their findings, the examiners prepared the "Report of Target Market Examination of Coast National Insurance Company" dated June 30, 2008.

3. The examiners reviewed all personal automobile application forms used by the Company during the time frame of the examination and found that CNIC used one form (*Applicant Statement*) that failed to:

1 a. Specify the types of persons authorized to disclose information
2 about the individual.

3 b. Specify the length of time that the authorization remains valid.

4 c. Advise that the individual or the individual's authorized
5 representative is entitled to receive a copy of the authorization form.

6 4. The examiners reviewed 53 of 53 private passenger automobile non-
7 renewals processed by the Company during the time frame of the examination and
8 found that CNIC non-renewed 46 for reasons not allowed by statute.

9 5. The examiners reviewed 53 of 53 private passenger automobile non-
10 renewals processed by the Company during the time frame of the examination and
11 found that CNIC failed to provide compliant non-renewal notices for 5 non-renewals.

12 6. The examiners reviewed all personal automobile claim forms used by the
13 Company during the time frame of the examination and found that CNIC used three
14 claim forms (*Authorization for Release of Records as per HIPPA Privacy Regulation 45*
15 *CFR subsection 164.508, Employment Information Authorization, and Applicant*
16 *Statement*) that failed to:

17 a. Specify the types of persons authorized to disclose information
18 about the individual.

19 b. Specify the purpose for which the information is collected.

20 c. Specify the length of time that the authorization remains valid.

21 d. Advise that the individual or the individual's authorized
22 representative is entitled to receive a copy of the authorization form.

23 7. The examiners reviewed 52 private passenger automobile total loss
24 settlements out of a population of 202 total loss claims processed by the Company
25 during the time frame of the examination and found that CNIC failed to correctly

1 calculate and fully pay sales tax and fees on 18 first and third total loss settlements.

2 8. CNIC has made restitution payments to all 18 first and third party
3 personal automobile total loss claimants for the correct amount of taxes and fees, at
4 the request of the Department, totaling \$296.74 in restitution plus \$31.59 in interest.

5 **CONCLUSIONS OF LAW.**

6 1. CNIC violated A.R.S §20-2106(3), (7)(b) and (9) by using underwriting
7 information request forms that failed to contain a compliant disclosure authorization.

8 2. CNIC violated A.R.S §20-1631(D) by non-renewing policies for reasons
9 not allowed by statute.

10 3. CNIC violated A.R.S §20-1632(A) by failing to provide compliant non-
11 renewal notices.

12 4. CNIC violated A.R.S §20-2106(3), (6), (8)(b) and (9) by using claim forms
13 that failed to contain a compliant disclosure authorization.

14 5. CNIC violated A.R.S §20-461(A)(6) and A.A.C. R20-6-801(H)(1)(b) by
15 failing to pay the correct sales tax and fees on total loss settlements, plus any interest
16 owed.

17 6. Grounds exist for the entry of the following Order in accordance with
18 A.R.S. §§ 20-220, 20-456 and 20-2117.

19 **ORDER**

20 **IT IS HEREBY ORDERED THAT:**

21 1. Coast National Insurance Company shall cease and desist from:

22 a. Using underwriting information request forms that fail to contain a
23 compliant disclosure authorization.

24 b. Non-renewing policies for reasons not allowed by statute.

25 c. Failing to provide insureds with complaint non-renewal notices.

1 d. Using claim forms that fail to contain a compliant disclosure
2 authorization.

3 e. Failing to pay the correct sales tax and fees on total loss
4 settlements.

5 2. Within 90 days of filed date of this Order, the Company shall complete a
6 self-audit of the remaining 150 total loss claims settled during the time frame of the
7 examination and make additional restitution payments, with interest due, on all total
8 loss claims where the Company failed to correctly calculate and fully pay sales tax and
9 fees on total loss settlements.

10 3. Within 90 days of the filed date of this Order, CNIC shall submit to the
11 Arizona Department of Insurance, for approval, evidence that CNIC implemented
12 corrections and communicated these corrections to the appropriate personnel,
13 regarding the issues outlined in Paragraph 1 of the Order section of this Consent
14 Order. Evidence of corrective action and communication thereof includes, but is not
15 limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print
16 screens, and training materials.

17 4. The Department shall, through authorized representatives, verify that CNIC
18 has complied with all provisions of this Order.

19 5. CNIC shall pay a civil penalty of \$38,000.00 to the Director for remission to
20 the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
21 §§20-220(B), 20-456 and 20-2117. CNIC shall submit the civil penalty to the Market
22 Oversight Division of the Department prior to the filing of this Order.

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1 6. The Report of Target Market Conduct Examination of Coast National
2 Insurance Company as of June 30, 2008, including the letter accepting the Report of
3 Examination, shall be filed with the Department upon the filing of this Order.

4 DATED at Phoenix, AZ this 2nd day of June, 2009.

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7 Christina Urias
8 Director of Insurance
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1 **CONSENT TO ORDER**

2 1. Coast National Insurance Company has reviewed the foregoing Order.

3 2. Coast National Insurance Company admits the jurisdiction of the Director
4 of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to
5 the entry of the Conclusions of Law and Order.

6 3. Coast National Insurance Company is aware of the right to a hearing, at
7 which it may be represented by counsel, present evidence and cross-examine
8 witnesses. Coast National Insurance Company irrevocably waives the right to such
9 notice and hearing and to any court appeals related to this Order.

10 4. Coast National Insurance Company states that no promise of any kind or
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that
12 it has entered into this Consent Order voluntarily.

13 5. Coast National Insurance Company acknowledges that the acceptance of
14 this Order by the Director of the Arizona Department of Insurance is solely for the
15 purpose of settling this matter and does not preclude any other agency or officer of this
16 state or its subdivisions or any other person from instituting proceedings, whether civil,
17 criminal, or administrative, as may be appropriate now or in the future.

18 6. Edward J. Steinman, who holds the office of
19 Asst. Treasurer & Vice Pres. of Coast National Insurance Company, is authorized to
20 enter into this Order for them and on their behalf.

21 **COAST NATIONAL INSURANCE COMPANY**

22 5/23/2009
23 Date

22 By Edward J. Steinman
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1 COPY of the foregoing mailed/delivered
2 this 2nd day of June, 2009, to:

3 Gerrie Marks
4 Deputy Director
5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
8 Helene I. Tomme
9 Market Examinations Supervisor
10 Market Oversight Division
11 Dean Ehler
12 Assistant Director
13 Property and Casualty Division
14 Steve Ferguson
15 Assistant Director
16 Financial Affairs Division
17 David Lee
18 Chief Financial Examiner
19 Alexandra Shafer
20 Assistant Director
21 Life and Health Division
22 Chuck Gregory
23 Special Agent Supervisor
24 Investigations Division

25 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Tina Austin
Vice President – Corporate Compliance
Coast National Insurance Company
5990 West Creek Road
Independence, OH 44131

