

1 on November 5, 2001 (the "2001 Order"). In pertinent part, the 2001 Order stated as
2 follows:

3 **IT IS HEREBY ORDERED THAT:**

4 1. SIC shall cease and desist from:

5 a. Failing to comply with filed rates and rules in the issuance of new
6 and renewal personal lines policies.

7 b. Failing to comply with filed rates and rules in the issuance of new
8 and renewal commercial policies.

9 c. Failing to use schedule rating worksheets, in the premium
10 determination of its commercial automobile policies, which do not comply with the filed
11 schedule credit/debit program

12 d. Failing to file its commercial automobile experience rating plan with
13 the Department.

14 e. Failing to identify the correct company name on all claim forms and
15 correspondence sent to its insureds and claimants.

16 g. Failing to include applicable sales taxes and license fees, in the
17 settlement of first party automobile total loss claims.

18 h. Failing to include all sales taxes and license fees in the settlement
19 of automobile total loss claims when other third party automobile total loss claims are
20 appropriately paid.

21 i. Failing to include the Arizona Fraud warning on claims notices.

22 4. The examiners reviewed 19 of 485 commercial automobile policies
23 issued during the time frame of the examination and found that SIC failed to accurately
24 apply renewal experience modification factors to two (2) commercial automobile
25 policies.

1 5. The examiners reviewed 50 of 485 commercial automobile policies
2 issued during the time frame of the examination and found that SIC failed to apply
3 commercial automobile scheduled rating modifications consistent with corresponding
4 applications and/or failed to provide adequate documentation to justify modifications
5 applied to 12 policies.

6 6. The examiners found that SIC used a Notice of Cancellation of Insurance
7 form (#PC9697131718AZ81998) during the time frame of the examination that
8 contradicts the refund provisions found in their dwelling fire and homeowner policies.

9 7. The examiners reviewed 29 homeowners, 21 dwelling fire and five (5)
10 commercial automobile policies cancelled for underwriting reasons during the time
11 frame of the examination and found that SIC failed to provide five (5) homeowner, three
12 (3) dwelling fire and one (1) commercial automobile policyholder a thirty (30) day
13 advance notice of cancellation, as required by their policy provisions.

14 8. The examiners reviewed 29 homeowners, 21 dwelling fire and five (5)
15 commercial automobile policies cancelled for underwriting reasons during the time
16 frame of the examination and found that SIC failed to provide three (3) homeowner and
17 three (3) dwelling fire policyholders the specific reason for the cancellation after the
18 policy had been in effect for more than sixty days.

19 9. The examiners found two (2) claim authorization disclosure forms used
20 during the time frame of the examination that failed to advise the individual or a person
21 authorized to act on behalf of the individual that they are entitled to receive a copy of
22 the authorization form. One of these forms also failed to specify the authorization
23 remains valid for no longer than the duration of the claim (see Exhibit A).

24 10. The examiners found 13 claim forms (see Exhibit B) used by the
25 Company during the time frame of the examination that failed to contain a compliant

1 fraud warning notice.

2 11. The examiners found SIC failed to accurately identify the appropriate
3 insuring company in claim correspondence with five (5) claimants during the time frame
4 of the examination by using either an incorrect letterhead or conflicting company
5 reference.

6 12. The examiners reviewed 22 of 22 commercial automobile total loss claim
7 files processed by the Company during the time frame of the examination and found
8 that SIC failed to correctly calculate and fully pay sales tax, title, registration, air quality
9 and other fees payable in the settlement of 22 total losses, involving first and third party
10 claimants.

11 **CONCLUSIONS OF LAW**

12 1. SIC violated A.R.S. §20-400.01 by failing to accurately apply commercial
13 automobile renewal experience modification factors.

14 2. SIC violated A.R.S. §20-400.01(B) by failing to accurately document and
15 justify applied scheduled rating modifications.

16 3. SIC violated A.R.S. §20-443 by using a Notice of Cancellation of
17 Insurance form that conflicts with the refund provisions found in their dwelling fire and
18 homeowner policies.

19 4. SIC violated A.R.S. §20-443 by failing to provide thirty (30) days advance
20 notice of cancellation, as required by their policy provisions.

21 5. SIC violated A.R.S. §§20-1652 and 20-1653 by failing to provide the
22 specific reason for dwelling fire and homeowner underwriting cancellations.

23 6. SIC violated A.R.S. §20-2106(8)(b) and (9) by using authorization forms
24 that failed to contain a compliant *Authorization for the Release of Information*.

25 7. SIC violated A.R.S. §20-466.03 by using claim forms that failed to contain

1 a compliant fraud warning notice.

2 8. SIC violated A.R.S §20-461(A)(6) and A.A.C. R20-6-801(H)(1)(b) by
3 failing to correctly calculate and fully pay sales tax, title registration, air quality and
4 other fees payable in the settlement of total losses.

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

7 **ORDER**

8 **IT IS HEREBY ORDERED THAT:**

9 1. SIC Insurance Company shall:

10 a. accurately apply commercial automobile renewal experience
11 modification factors.

12 b. accurately document and justify applied scheduled rating
13 modifications.

14 c. use a Notice of Cancellation of Insurance that contains language that
15 does not conflict with dwelling fire and homeowner policy refund provisions.

16 d. provide thirty (30) days advance notice of cancellation, as required by
17 policy provisions.

18 e. provide the specific reason for dwelling fire and homeowner
19 underwriting cancellations.

20 f. use authorization disclosure forms that contain a compliant
21 *Authorization for the Release of Information*.

22 g. use claim forms that contain a compliant fraud warning notice.

23 h. correctly identify the appropriate insuring company on claim
24 correspondence.

25 i. correctly calculate and fully pay sales tax, title, registration, air quality

1 and other fees payable in the settlement of first and third party total losses.

2 2. Within 90 days of the filed date of this Order, Scottsdale Insurance
3 Company shall submit to the Arizona Department of Insurance, for approval, evidence
4 that SIC implemented corrections and communicated these corrections to the
5 appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order
6 section of this Consent Order. Evidence of corrective action and communication
7 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,
8 procedures manuals, print screens, and training materials.

9 3. The Department shall, through authorized representatives, verify that SIC
10 has complied with all provisions of this Order.

11 4. SIC shall pay a civil penalty of \$37,500.00 to the Director for remission to
12 the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
13 §20-220(B). SIC shall submit the civil penalty to the Market Oversight Division of the
14 Department prior to the filing of this Order.

15 5. The Report of Target Market Examination of Scottsdale Insurance
16 Company of December 31, 2008, including the letter with their objections to the Report
17 of Examination, shall be filed with the Department upon the filing of this Order.

18 DATED at Arizona this 8th day of April, 2010.

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21 
22 Christina Urias
23 Director of Insurance
24
25

1 **CONSENT TO ORDER**

2 1. Scottsdale Insurance Company has reviewed the foregoing Order.

3 2. Scottsdale Insurance Company admits the jurisdiction of the Director of
4 Insurance, State of Arizona, neither admits nor denies the foregoing Findings of Fact
5 and Conclusions of Law, and consents to the entry of the Order.

6 3. Scottsdale 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. Scottsdale Insurance Company irrevocably waives the right to such notice
9 and hearing and to any court appeals related to this Order.

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

18 6. Michael D. Miller, who holds the office of
19 President of Scottsdale Insurance Company, is authorized to
20 enter into this Order for them and on their behalf.

21
22 **SCOTTSDALE INSURANCE COMPANY**

23
24
25 4.2.2010
Date

By Michael D. Miller

1 COPY of the foregoing mailed/delivered
2 this 9th day of April, 2010, 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

16 DEPARTMENT OF INSURANCE
17 2910 North 44th Street, Suite 210
18 Phoenix, AZ 85018

20 R. Lindsey McCutchan
21 Vice President, Legal
22 Scottsdale Insurance Company
23 8877 N. Gainey Center Drive
24 Scottsdale, AZ 85258

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EXHIBIT A

Authorization Disclosure

These forms fail to comply with A.R.S. § 20-2106(8)(b) and (9).

The following table summarizes the authorization form findings.

Form Description / Title	Form #	Statute Provision
Authorization for Release of Information	ADM-882 (3-99)	9
Authorization for Release of Medical Records, Health...	ADM-997 (7-04)	8(b) and 9

EXHIBIT B

Fraud Warning Statement – The Company failed to include the fraud warning statement on thirteen (13) claim forms in violation of A.R.S. § 20-466.03 and the prior Consent Order.

The following table summarizes these fraud warning statement findings:

	Form Description	Form #
1	Insurance Affidavit Form	CSU-61 (9-01)
2	Claimant's Report of Accident	CSU-102 (7-03)
3	Customer's Claim & Affidavit (Loss or Damage)	CSU-104 (5-01)
4	Employee Wage & Medical Ins. Verification	CSU-106 (5-09)
5	Written Statement - Insured Driver	CSU-107 (7-03)
6	Statement as to Full Cost of Repair or Replacement	CSU-108 (7-03)
7	Affidavit of Forgery	CSU-111 (7-03)
8	Insured's Statement - Theft-Burglary Loss	CSU-117 (5-09)
9	Proof of Loss Fidelity	CSU-118 (10-08)
10	Inland Marine Proof of Loss (Short Form)	CSU-121 (10-08)
11	Proof of Loss-Burglary, Theft, Larceny, Robbery	CSU-122 (10-08)
12	Insured's Statement of Claim	None
13	Property Loss Worksheet	None