


FEB 3 2011

DEPT OF INSURANCE  
BY 

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:	)	Docket No. 11A-019-INS
	)	
<b>MENDOTA INSURANCE COMPANY,</b>	)	<b>CONSENT ORDER</b>
	)	
NAIC # 33650,	)	
	)	
Respondent.	)	

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Mendota Insurance Company (MIC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Mendota Insurance Company, the examiners allege that Mendota Insurance Company violated A.R.S. §§20-461, 20-466.03, 20-1632.01, 20-2110, and A.A.C. R20-6-801.

Mendota Insurance Company 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. Mendota Insurance Company 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 Mendota Insurance Company. The examination covered the time period from January 1, 2009 through December 31, 2009 and concluded on November 8, 2010. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Mendota Insurance Company" dated December 31, 2009.

3. The examiners reviewed 57 of 356 private passenger automobile policies cancelled for underwriting reasons during the time frame of the examination and found

1 that MIC failed to provide a compliant Summary of Rights for 57 private passenger  
2 automobile cancellations.

3 4. The examiners reviewed 107 of 5,010 private passenger automobile  
4 policies cancelled or non-renewed for non-payment during the time frame of the  
5 examination and found that MIC failed to give the required seven (7) day grace period  
6 to 10 policyholders non-renewed for non-payment of premium.

7 5. The examiner found 3 claim forms (Exhibit A) used by the Company  
8 during the time frame of the examination that failed to contain a compliant fraud  
9 warning notice.

10 6. The examiners reviewed 52 of 212 private passenger automobile total  
11 loss claim files processed by the Company during the time frame of the examination  
12 and found that MIC failed to pay the correct license registration and/or air quality fees  
13 payable in the settlement of 13 total losses.

14 7. During the review of the Company's private passenger automobile claim  
15 settlement practices, MIC resettled all 13 claims resulting in total restitution to  
16 claimants of \$17.04, including interest. During the review the Company also completed  
17 a self-audit of the remaining total loss claims and made additional restitution payments  
18 of \$229.85, including interest, on 28 total loss claims.

#### 19 CONCLUSIONS OF LAW

20 1. MIC violated A.R.S. §20-2110 by failing to send policyholders a compliant  
21 Summary of Rights in the event of an adverse underwriting decision.

22 2. MIC violated A.R.S §20-1632.01(A) by failing to provide the required  
23 seven (7) day grace period to policies non-renewed for non-payment of premium.

24 3. MIC violated A.R.S §20-466.03 by using claim forms that failed to contain  
25 a compliant fraud warning notice.

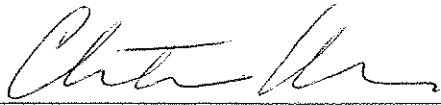


1 the State Treasurer for deposit in the State General Fund in accordance with A.R.S.  
2 §20-220(B). MIC shall submit the civil penalty to the Market Oversight Division of the  
3 Department prior to the filing of this Order.

4 5. The Report of Target Market Examination of Mendota Insurance  
5 Company of December 31, 2009, including the letter with their objections to the Report  
6 of Examination, shall be filed with the Department upon the filing of this Order.

7 DATED at Arizona this 2<sup>nd</sup> day of February, 2011.

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Christina Urias  
Director of Insurance

1 **CONSENT TO ORDER**

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

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

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

10 4. Mendota 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. Mendota 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. Richard A. Slater, Jr., who holds the office of  
19 President & COO of Mendota Insurance Company is authorized to enter  
20 into this Order for them and on their behalf.

21  
22 **MENDOTA INSURANCE COMPANY**

23  
24  
25 Jan. 31, 2011  
Date

By Richard A. Slater, Jr.

1 COPY of the foregoing mailed/delivered  
2 this 3rd day of February, 2011, 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

19 Richard A. Slater, Jr., President and Chief Operating Officer  
20 Mendota Insurance Company  
21 150 Northwest Point Boulevard  
22 Elk Grove Village, IL 60007

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## **EXHIBIT A**

**Fraud Warning Statement.** The Company failed to include the Fraud Warning statement, in at least twelve-point type, on 3 claim forms/letters, an apparent violation of A.R.S. § 20-466.03.

### **Forms without a Fraud Warning Statement**

- Property Damage Release
- Release
- General Release – Husband and Wife