

1 private passenger auto and motorcycle non-renewals and 28 of 76 private passenger
2 auto and motorcycle cancellations, non-renewed or cancelled for underwriting reasons
3 during the time frame of the examination and found that PSIC failed to provide a
4 compliant Summary of Rights for all homeowner, manufactured home, private
5 passenger auto and motorcycle non-renewals and cancellations.

6 4. The examiners reviewed 29 of 29 private passenger auto and motorcycle
7 policies non-renewed and 28 of 76 private passenger auto and motorcycle policies
8 cancelled for underwriting reasons during the time frame of the examination and found
9 that all non-renewal and cancellation notices sent for underwriting reasons failed to
10 include the insured's right to complain to the Director and information regarding the
11 insured's eligibility for the assigned risk plan.

12 5. The examiners reviewed 75 of 421 private passenger auto and
13 motorcycle policies cancelled for non-payment of premium during the time frame of the
14 examination and found that all cancellation notices sent for non-payment of premium
15 failed to include the insured's right to complain to the Director.

16 6. The examiners reviewed 22 of 22 private passenger auto and motorcycle
17 total loss claims processed by the Company during the time frame of the examination
18 and found that PSIC failed to correctly calculate and fully pay sales tax, license
19 registration and/or air quality fees in the settlement of 12 total losses.

20 7. The examiners reviewed 52 of 1,090 homeowner and 22 of 22
21 manufactured home claims settled during the time frame of the examination and found
22 that PSIC failed to correctly calculate and pay the Transaction Privilege Tax on 5
23 homeowner and 10 manufactured home settlements.

24 8. During the review of the Company's private passenger auto and
25 motorcycle total loss claim settlement practices, PSIC resettled all 12 claims resulting

1 in total restitution to claimants of \$1,655.33, plus \$166.66 interest.

2 9. During the examiner review of the Company's homeowner and
3 manufactured home Transaction Privilege Tax claim settlement practices, PSIC
4 resettled all 15 claims which resulted in restitution payments to insureds of \$1,914.02,
5 plus \$205.89 interest. Following the review the Company also completed a self-audit
6 of the remaining homeowner and manufactured home claims settled during the
7 timeframe of the examination, which resulted in additional restitution payments for the
8 correct Transaction Privilege Tax of \$9,907.27, plus \$724.86 interest to 76 claimants.

9 10 CONCLUSIONS OF LAW

11 1. Pacific Specialty Insurance Company violated A.R.S. §20-2110 by failing
12 to send policyholders a compliant Summary of Rights in the event of an adverse
13 underwriting decision.

14 2. PSIC violated A.R.S. §20-1632(A)(1) and (2) by using non-renewal and
15 cancellation notices, sent for underwriting reasons, that failed to include the right to
16 complain to the Director and information regarding the insured's eligibility for the
17 assigned risk plan.

18 3. PSIC violated A.R.S. §20-1632.01(B) by using non-payment cancellation
19 notices that failed to include the right to complain to the Director.

20 4. PSIC violated A.R.S §§20-461(A)(6), 20-462(A) and A.A.C. R20-6-
21 801(H)(1)(b) by failing to correctly calculate and fully pay sales tax, license registration
22 and/or air quality fees in the settlement of total losses.

23 5. PSIC violated A.R.S. §§20-461 and 20-462(A) by failing to correctly
24 calculate and pay the Transaction Privilege Tax on homeowner and manufactured
25 home claim settlements.

1 3. The Department shall, through authorized representatives, verify that
2 Pacific Specialty Insurance Company has complied with all provisions of this Order.

3 4. Pacific Specialty Insurance Company shall pay a civil penalty of
4 \$15,000.00 to the Director for remission to the State Treasurer for deposit in the State
5 General Fund in accordance with A.R.S. §20-220(B). Pacific Specialty Insurance
6 Company shall submit the civil penalty to the Market Oversight Division of the
7 Department prior to the filing of this Order.

8 5. The Report of Target Market Conduct Examination of Pacific Specialty
9 Insurance Company of December 31, 2010, including the letter with their objections to
10 the Report of Examination, shall be filed with the Department upon the filing of this
11 Order.

12 DATED at Arizona this 2nd day of September, 2011.

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17 Christina Urias
18 Director of Insurance
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CONSENT TO ORDER

1. Pacific Specialty Insurance Company has reviewed the foregoing Order.

2. Pacific Specialty Insurance Company admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

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

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

5. Pacific Specialty Insurance Company of this Order by the Director of the Arizona Department of Insurance for the purpose of settling this matter and does not preclude the state or its subdivisions or any other person from instituting any criminal, civil, or administrative, as may be appropriate proceedings


ck # 28044
8/31/11
\$15,000
from PSIC

6. Robert K. Large
Vice President of Pacific Specialty

to enter into this Order for them and on their behalf.

PACIFIC SPECIALTY INSURANCE COMPANY

August 31, 2011
Date

By 

1 COPY of the foregoing mailed/delivered
2 this 6th day of September, 2011, to:

3 Gerrie Marks

Deputy Director

4 Mary Butterfield

Assistant Director

5 Consumer Affairs Division

6 Helene I. Tomme

Market Examinations Supervisor

7 Market Oversight Division

8 Dean Ehler

Assistant Director

9 Property and Casualty Division

10 Steve Ferguson

Assistant Director

11 Financial Affairs Division

12 David Lee

Chief Financial Examiner

13 Alexandra Shafer

Assistant Director

14 Life and Health Division

15 Chuck Gregory

Special Agent Supervisor

Investigations Division

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

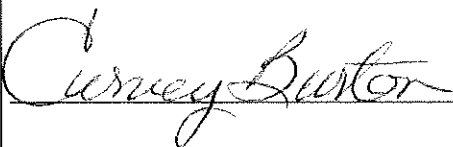
19
20 Robert Large

Vice President, Product Development

21 Pacific Specialty Insurance Company

3601 Haven Avenue

22 Menlo Park, CA 94025-1033

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