

MK

STATE OF ARIZONA  
FILED

JUN 14 2012

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY MS

In the Matter of:

**SAFECO INSURANCE COMPANY OF AMERICA,**

NAIC # 24740,

Respondent.

) Docket No.12A-056-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Safeco Insurance Company of America ("SICA"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Safeco Insurance Company of America, the examiners allege that SICA violated A.R.S. §§20-461, 20-462, 20-443, 20-466.03, 20-1631, 20-1632, 20-2106, 20-2110 and A.A.C. R20-6-801.

Safeco Insurance Company of America wishes to resolve this matter without formal proceedings, neither admits nor denies 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. Safeco Insurance Company of America 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 Safeco Insurance Company of America. The examination covered the time period from January 1, 2010 through December 31, 2010 and concluded on January 24, 2012. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Safeco Insurance Company of America" dated December 31, 2010.

3. The examiners reviewed 46 of 132 homeowner non-renewals, 48 of 250

1 homeowner cancellations, 10 of 40 private passenger automobile non-renewals and 49  
2 of 103 private passenger automobile cancellations, either non-renewed or cancelled  
3 due to an adverse underwriting decision during the time frame of the examination and  
4 found that SICA failed to provide a compliant Summary of Rights to all 153  
5 policyholders.

6 4. The examiners found 2 underwriting authorization disclosure forms  
7 included within 2 applications, the *Homeowners Application* and *Personal Automobile*  
8 *Application*, used during the time frame of the examination, that failed to specify that  
9 the authorization remains valid for no longer than one year from the date the  
10 authorization is signed and failed to advise the individual or a person authorized to act  
11 on behalf of the individual that they are entitled to receive a copy of the authorization  
12 form.

13 5. The examiners reviewed 50 of 1,035 homeowners policies cancelled for  
14 non-payment during the time frame of the examination and found that SICA issued 32  
15 homeowner non-payment cancellation notices in which the effective time/dates on the  
16 notice differed from the cancellation effective time/dates on the homeowner policy  
17 declarations page.

18 6. The examiners reviewed 50 of 103 private passenger automobile policies  
19 cancelled due to an adverse underwriting decision during the time frame of the  
20 examination and found that SICA failed to offer a named driver exclusion prior to  
21 cancelling 8 policyholders.

22 7. The examiners reviewed 8 of 40 private passenger automobile policies  
23 non-renewed for underwriting reasons during the time frame of the examination and  
24 found that SICA failed to provide a non-renewal notice at least 45-days before the  
25 effective date to 8 policyholders.





1           b. use applications that include underwriting authorization disclosure  
2 forms that contain a compliant *Authorization for the Release of Information*.

3           c. use homeowner non-payment cancellation notices that display the  
4 correct expiration time of 12:01AM in Arizona

5           d. offer policyholders a named driver exclusion prior to cancellation.

6           e. mail nonrenewal notices at least 45 days before the effective date of  
7 the non-renewal.

8           f. send a refund of the unearned premium with the policy cancellation  
9 notice.

10          g. mail cancellation or non-renewal notices via certified mailing or  
11 certificate of mailing.

12          h. use claim forms that contain a compliant fraud warning notice.

13          i. correctly calculate and pay the Transaction Privilege Tax on  
14 homeowner claim settlements.

15          j. correctly calculate and fully pay sales tax and other fees payable in  
16 the settlement of total losses.

17          2.       Within 90 days of the filed date of this Order, Safeco Insurance Company  
18 of America shall submit to the Arizona Department of Insurance, for approval, evidence  
19 that SICA implemented corrections and communicated these corrections to the  
20 appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order  
21 section of this Consent Order. Evidence of corrective action and communication  
22 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,  
23 procedures manuals, print screens, and training materials.

24          3.       The Department shall, through authorized representatives, verify that  
25 SICA has complied with all provisions of this Order.

1 4. Safeco Insurance Company of America shall pay a civil penalty of  
2 \$30,000.00 to the Director for remission to the State Treasurer for deposit in the State  
3 General Fund in accordance with A.R.S. §20-220(B). SICA shall submit the civil  
4 penalty to the Market Oversight Division of the Department prior to the filing of this  
5 Order.

6 5. The Report of Target Market Examination of Safeco Insurance Company  
7 of America of December 31, 2010, including the letter with their objections to the  
8 Report of Examination, shall be filed with the Department upon the filing of this Order.

9 DATED at Arizona this 12<sup>th</sup> day of June, 2012.

10  
11   
12 \_\_\_\_\_  
13 Christina Urias  
14 Director of Insurance  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 **CONSENT TO ORDER**

2 1. Safeco Insurance Company of America has reviewed the foregoing  
3 Order.

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

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

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

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

19 6. JAMES SWEGLE, who holds the office of  
20 VICE PRESIDENT of Safeco Insurance Company of America, is  
21 authorized to enter into this Order for them and on their behalf.

22 **SAFECO INSURANCE COMPANY OF AMERICA**

23  
24 5/24/2012  
25 Date

By

James Swegle

1 COPY of the foregoing mailed/delivered  
2 this 14th day of June , 2012, 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 Kurt Regner  
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 Lucinda Woods, CPCU, ARM, ARC  
20 Regional Director, Market Conduct Service  
21 Office of Corporate Compliance  
22 Liberty Mutual Group  
23 175 Berkeley Street  
24 Boston, MA 02116  
25

25 Maidene Scheiner