

1 policies issued during the time frame of the examination and found that UDIC failed to
2 correctly apply filed rates to determine the premium on 4 surcharged policies.

3 4. The examiners found one private passenger automobile application,
4 UDPA 001 02 0307, that contained an underwriting authorization disclosure used
5 during the time frame of the examination that failed to specify that the authorization
6 remains valid for one year from the date the authorization is signed and advise the
7 individual or a person authorized to act on behalf of the individual that they are entitled
8 to receive a copy of the authorization form.

9 5. The examiners reviewed 22 of 22 private passenger automobile non-
10 renewals and 16 of 16 cancellations, either non-renewed or cancelled for underwriting
11 reasons during the time frame of the examination and found that UDIC failed to provide
12 a compliant Summary of Rights to 8 non-renewed and 3 cancelled policyholders.

13 6. The examiners reviewed 12 of 12 private passenger automobile policies
14 cancelled during the time frame of the examination where the company owed the
15 policyholder an unearned premium refund and found that UDIC failed to include the
16 unearned premium refund with the cancellation notice, sent out 10 days prior to the
17 effective date of cancellation, to 4 policyholders.

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

23 8. The examiners found 9 claim forms used by the Company during the time
24 frame of the examination that failed to contain a compliant fraud warning notice. (see
25 Exhibit B)

1 9. The examiners reviewed 22 of 22 private passenger automobile total loss
2 claims processed by the Company during the time frame of the examination and found
3 that UDIC failed to correctly calculate and fully pay appropriate tax, license registration
4 and/or air quality fees payable in the settlement of 14 total losses.

5 10. During the review of the Company's private passenger automobile policy
6 surcharge rating practices, UDIC made restitution payments to all policyholders owed
7 refunds which resulted in total restitution payments of \$234.00.

8 11. During the review of the Company's private passenger automobile total
9 loss claim settlement practices, UDIC made restitution payments to all claimants owed
10 refunds which resulted in restitution payments of \$1,499.44, plus \$123.16 interest, for a
11 total of \$1,622.60.

12
13 **CONCLUSIONS OF LAW**

14 1. UDIC violated A.R.S. §20-385 by failing to correctly apply filed rates to
15 determine the premium on surcharged private passenger automobile policies.

16 2. UDIC violated A.R.S. §20-2106(7)(b) and (9) by using an application that
17 contained an underwriting authorization disclosure that failed to contain a compliant
18 *Authorization for the Release of Information*.

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

21 4. UDIC violated A.R.S. §20-1632(A)(3) by failing to include the unearned
22 premium refund with the policy cancellation notice.

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

25 6. UDIC violated A.R.S. §20-466.03 by using claim forms that failed to

1 contain a compliant fraud warning notice.

2 7. UDIC violated A.R.S §§20-461(A)(6), 20-462(A) and A.A.C. R20-6-
3 801(H)(1)(b) by failing to correctly calculate and fully pay sales tax, license registration
4 and/or air quality fees payable in the settlement of total losses.

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

7
8 **ORDER**

9 **IT IS HEREBY ORDERED THAT:**

10 1. Unitrin Direct Insurance Company shall:

11 a. apply the correct filed rates to private passenger automobile policies.

12 b. use private passenger automobile applications that contain a
13 compliant *Authorization for the Release of Information*.

14 c. provide insureds a compliant Summary of Rights in the event of non-
15 renewal or cancellation for underwriting reasons.

16 d. refund the unearned premium at least 10 days before the effective
17 date of cancellation.

18 e. use claim authorization disclosure forms that contain a compliant
19 *Authorization for the Release of Information*.

20 f. use claim forms that contain a compliant fraud warning notice.

21 g. correctly calculate and fully pay sales tax and other fees payable in
22 the settlement of total losses.

23 2. Within 90 days of the filed date of this Order, Unitrin Direct Insurance
24 Company shall submit to the Arizona Department of Insurance, for approval, evidence
25 that UDIC implemented corrections and communicated these corrections to the

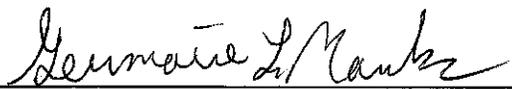
1 appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order
2 section of this Consent Order. Evidence of corrective action and communication
3 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,
4 procedures manuals, print screens, and training materials.

5 3. The Department shall, through authorized representatives, verify that
6 UDIC has complied with all provisions of this Order.

7 4. Unitrin Direct Insurance Company shall pay a civil penalty of \$9,000.00 to
8 the Director for remission to the State Treasurer for deposit in the State General Fund
9 in accordance with A.R.S. §20-220(B). UDIC shall submit the civil penalty to the
10 Market Oversight Division of the Department prior to the filing of this Order.

11 5. The Report of Target Market Examination of Unitrin Direct Insurance
12 Company of June 30, 2012, including the letter with their objections to the Report of
13 Examination, shall be filed with the Department upon the filing of this Order.

14 DATED at Arizona this 10th day of April, 2013.

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17 _____
18 Germaine L. Marks
19 Director of Insurance
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CONSENT TO ORDER

1. Unitrin Direct Insurance Company has reviewed the foregoing Order.

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

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

6. Elizabeth C. Lupetini, who holds the office of Vice President - Compliance of Unitrin Direct Insurance Company, is authorized to enter into this Order for them and on their behalf.

UNITRIN DIRECT INSURANCE COMPANY

4/2/2013
Date

By 

1 COPY of the foregoing mailed/delivered
this 11th day of April, 2013, to:

2
3 Germaine L. Marks
Director of Insurance

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
Property and Casualty Division

9 Kurt Regner
Assistant Director
10 Financial Affairs Division

11 David Lee
Chief Financial Examiner

12 Alexandra Shafer
Assistant Director
13 Life and Health Division

14 Chuck Gregory
Special Agent Supervisor
Investigations Division

15
16 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
17 Phoenix, AZ 85018

18
19 Elizabeth C. Lupetini
20 Vice President, Compliance & Underwriting
Kemper Direct
21 One East Wacker Drive, Suite 3700
Chicago, IL 60601
22

23
24 
25

EXHIBIT A

Claim Authorization Disclosure Forms

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

The following table summarizes these authorization form findings.

| Form Description / Title | Form # | Statute Provision |
|---|---------------|--------------------------|
| Arizona Application for Benefits | Unknown | 8(b) and 9 |
| Authorization to Disclose Health Information (HIPAA) | Unknown | 8(b) and 9 |

EXHIBIT B

Fraud Warning Statement

Failed to provide fraud warning statement in at least twelve (12) point type
A.R.S. § 20-466.03

| Form Description / Title | Form Number |
|--|--------------------|
| Arizona Application for Benefits | NA |
| Affidavit of No Additional Insurance | NA |
| Affidavit of Vandalism | NA |
| Authorization to Disclose Health Information (HIPPA) | NA |
| General Release | NA |
| Release of All Claims | NA |
| Uninsured Motorist Release | NA |
| Odometer Statement | NA |
| Power of Attorney | NA |