

JUL 10 2013

DEPT OF INSURANCE
BY 

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:)	Docket No. 13A-076-INS
)	
WILSHIRE INSURANCE COMPANY,)	CONSENT ORDER
)	
NAIC # 13234,)	
)	
Respondent.)	

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

Wilshire 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. Wilshire 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 Wilshire Insurance Company. The examination covered the time period from January 1, 2011 through December 31, 2011 and concluded on February 26, 2013. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Wilshire Insurance Company" dated December 31, 2011.
3. The examiners reviewed 14 of 14 homeowner cancellations, 19 of 19 manufactured homeowner cancellations, and 3 manufactured homeowner non-

1 renewals, either non-renewed or cancelled due to an adverse underwriting decision
2 during the time frame of the examination and found that WIC failed to provide a
3 compliant Summary of Rights to all 36 policyholders.

4 4. The examiners reviewed 50 of 182 manufactured homeowner policies
5 cancelled for non-payment of premium during the time frame of the examination and
6 found that WIC failed to provide at least 10 days notice prior to cancellation, as
7 required by policy provisions, to 14 policyholders.

8 5. The examiners found one claim form, *Property Damage Release*, used by
9 the Company during the time frame of the examination that failed to contain a
10 compliant fraud warning notice.

11 6. The examiners reviewed 60 of 521 homeowners and manufactured
12 homeowners claims settled during the time frame of the examination and found that
13 WIC failed to correctly calculate and pay the Transaction Privilege Tax on 13
14 homeowner and 7 manufactured homeowner first party real property claim settlements.

15 7. The examiners reviewed 112 of 112 commercial automobile, homeowner,
16 and manufactured homeowner claims closed without payment during the time frame of
17 the examination and found that WIC failed to provide 3 commercial automobile, 3
18 homeowner and 12 manufactured homeowner claimants a written claim denial within
19 fifteen (15) working days after receipt of proofs of loss.

20 8. During review of the Company's homeowner Transaction Privilege Tax
21 claim settlement practices, WIC resettled all 20 homeowner and manufactured
22 homeowner claims which resulted in restitution payments of \$3,179.92, which included
23 \$566.82 interest.

24 9. During review of the Company's claim settlement practices, WIC also
25 paid restitution to one manufactured homeowner claimant for return of the insured's

1 deductible after subrogation recovery in the amount of \$203.62, which included \$30.30
2 interest.

3 **CONCLUSIONS OF LAW**

4 1. WIC violated A.R.S. §20-2110 by failing to send a compliant Summary of
5 Rights to policyholders cancelled or non-renewed due to an adverse underwriting
6 decision.

7 2. WIC violated A.R.S. §20-466.03 by using a claim form that failed to
8 contain a compliant fraud warning.

9 3. WIC violated A.R.S. §§20-461(A)(6) and 20-462(A) by failing to correctly
10 calculate and pay the Transaction Privilege Tax on homeowners and manufactured
11 homeowner claim settlements.

12 4. WIC violated A.R.S. §20-461(A)(5) and A.A.C. R20-6-801(G)(1)(a) by
13 failing to provide first party claimants a written claim denial within fifteen (15) days after
14 receipt of proof of loss.

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

17
18 **ORDER**

19 **IT IS HEREBY ORDERED THAT:**

- 20 1. Wilshire Insurance Company shall:
- 21 a. provide policyholders a compliant Summary of Rights if their policy is
22 cancelled or non-renewed as the result of an adverse underwriting decision.
- 23 b. provide 10 days notice of cancellation to policyholders cancelled for
24 non-payment of premium, as stated in policy provisions.
- 25 c. use claim forms that contain a compliant fraud warning notice.

1 d. correctly calculate and pay the Transaction Privilege Tax on
2 homeowner and manufactured homeowner claim settlements.

3 e. provide claimants a written claim denial within fifteen (15) days after
4 receipt of proof of loss.

5 2. Within 90 days of filed date of this Order, the Company shall complete a
6 self-audit of the remaining homeowner and manufactured homeowner claims settled
7 during the time frame of the examination and make additional restitution payments,
8 with interest due, on all claims where the Company failed to correctly calculate and fully
9 pay the Transaction Privilege Tax on claim settlements.

10 3. Within 90 days of the filed date of this Order, Wilshire Insurance
11 Company shall submit to the Arizona Department of Insurance, for approval, evidence
12 that WIC implemented corrections and communicated these corrections to the
13 appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order
14 section of this Consent Order. Evidence of corrective action and communication
15 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,
16 procedures manuals, print screens, and training materials.

17 4. The Department shall, through authorized representatives, verify that
18 WIC has complied with all provisions of this Order.

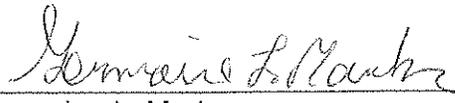
19 5. Wilshire Insurance Company shall pay a civil penalty of \$16,000.00 to the
20 Director for remission to the State Treasurer for deposit in the State General Fund in
21 accordance with A.R.S. §20-220(B). WIC shall submit the civil penalty to the Market
22 Oversight Division of the Department prior to the filing of this Order.

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6. The Report of Target Market Conduct Examination of Wilshire Insurance Company as of December 31, 2011, including the letter with their objections to the Report of Examination, shall be filed with the Department upon the filing of this Order.

DATED at Arizona this 9th day of July, 2013.



Germaine L. Marks
Director of Insurance

1 **CONSENT TO ORDER**

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

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

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

13 5. Wilshire 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. Blinson, who holds the office of
19 Senior VP/Corporate Secretary of Wilshire Insurance Company, is authorized to enter
20 into this Order for them and on their behalf.

21 **WILSHIRE INSURANCE COMPANY**

22
23
24 7-2-13
Date

By Michael D. Blinson

1 COPY of the foregoing mailed/delivered
2 this 10th day of July, 2013, to:

3 Germaine L. Marks
4 Director of Insurance
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 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
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Michael D. Blinson
Senior Vice President/Corporate Secretary
Wilshire Insurance Company
702 Oberlin Road
Raleigh, North Carolina 27605

