

JAN 10 2014

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY RLS

In the Matter of:	)	Docket No. 14A-003-INS
	)	
<b>UNITED AUTOMOBILE INSURANCE COMPANY,</b>	)	<b>CONSENT ORDER</b>
	)	
NAIC # 35319,	)	
	)	
Respondent.	)	

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of United Automobile Insurance Company ("UAIC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of United Automobile Insurance Company, the examiners allege that UAIC violated A.R.S. §§20-385, 20-461, 20-462, 20-1632.01, 20-2106 and A.A.C. R20-6-801.

United Automobile 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. United Automobile 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 United Automobile Insurance Company. The examination covered the time period from July 1, 2012 through June 30, 2013 and concluded on October 15, 2013. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of United Automobile Insurance Company" dated June 30, 2013.
3. The examiners reviewed 12 new / renewal and 12 surcharged private passenger automobile policies from a population of 61,419 issued during the time

1 frame of the examination and found that UAIC failed to apply the correct driver class  
2 code or transfer discount to determine the correct premium on one (1) new / renewal  
3 policy and one (1) surcharged policy.

4 4. The examiners found one underwriting and one claim authorization  
5 disclosure form used during the time frame of the examination that failed to specify that  
6 the authorization remains valid for one year from the date the authorization on the  
7 application is signed and advise the individual or a person authorized to act on behalf  
8 of the individual that they are entitled to receive a copy of the authorization on the  
9 application or claim form. (see Exhibit A)

10 5. Examiners reviewed 102 of 19,254 private passenger automobile policies  
11 cancelled for non-payment of premium during the time frame of the examination and  
12 found that UAIC failed to provide the required 7-day grace period after the premium  
13 due date, before cancelling 41 policies for non-payment of premium.

14 6. The examiners reviewed 52 of 216 private passenger automobile total  
15 loss claims processed by the Company during the time frame of the examination and  
16 found that UAIC failed to correctly calculate and fully pay appropriate tax, license  
17 registration and/or air quality fees payable in the settlement of 5 total losses.

18 7. During the review of the Company's new / renewal and surcharged policy  
19 rating practices, UAIC made restitution payments to the one policyholder owed a  
20 refund which resulted in a restitution payment of \$79.00.

21 8. During the review of the Company's private passenger automobile claim  
22 settlement practices, UAIC resettled all 5 claims which resulted in restitution payments  
23 of \$153.28, plus \$1.70 interest, for a total of \$154.98. UAIC also completed a self-audit  
24 of the remaining 164 private passenger automobile total loss claims settled during the  
25 time frame of the exam and made restitution payments to all claimants owed refunds of

1 \$882.77, plus \$13.01 interest, for a total of \$895.78 to all claimants affected.

2  
3 **CONCLUSIONS OF LAW**

4 1. UAIC violated A.R.S. §20-385 by failing to use correct filed rates or  
5 transfer discount to determine the correct premium on new / renewal and surcharged  
6 private passenger automobile policies.

7 2. UAIC violated A.R.S. §20-2106(7)(b) and (9) by using underwriting and  
8 claim authorization forms that failed to contain a compliant *Authorization for the*  
9 *Release of Information*.

10 3. UAIC violated A.R.S. §20-1632.01(A) by failing to provide the required 7-  
11 day grace period for policies cancelled for non-payment of premium.

12 4. UAIC violated A.R.S §§20-461(A)(6), 20-462(A) and A.A.C. R20-6-  
13 801(H)(1)(b) by failing to correctly calculate and fully pay sales tax, license registration  
14 and/or air quality fees payable in the settlement of total losses.

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. United Automobile Insurance Company shall:
- 21 a. apply the correct filed rates and transfer discounts to private
- 22 passenger automobile policies.
- 23 b. use underwriting and claim authorization disclosure forms that contain
- 24 a compliant *Authorization for the Release of Information*.
- 25 c. provide the required 7-day grace period for policies cancelled for non-

1 payment of premium.

2 d. correctly calculate and fully pay sales tax and other fees payable in  
3 the settlement of total losses.

4 2. Within 90 days of the filed date of this Order, United Automobile  
5 Insurance Company shall submit to the Arizona Department of Insurance, for approval,  
6 evidence that UAIC implemented corrections and communicated these corrections to  
7 the appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order  
8 section of this Consent Order. Evidence of corrective action and communication  
9 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,  
10 procedures manuals, print screens, and training materials.

11 3. The Department shall, through authorized representatives, verify that  
12 UAIC has complied with all provisions of this Order.

13 4. United Automobile Insurance Company shall pay a civil penalty of  
14 \$14,000.00 to the Director for remission to the State Treasurer for deposit in the State  
15 General Fund in accordance with A.R.S. §20-220(B). UAIC shall submit the civil  
16 penalty to the Market Oversight Division of the Department prior to the filing of this  
17 Order.

18 5. The Report of Target Market Examination of United Automobile Insurance  
19 Company of June 30, 2013, including the letter with their objections to the Report of  
20 Examination, shall be filed with the Department upon the filing of this Order.

21 DATED at Arizona this 9<sup>th</sup> day of January, 2014.

22  
23  
24 Germaine L. Marks  
25 Germaine L. Marks  
Director of Insurance

1 **CONSENT TO ORDER**

2 1. United Automobile Insurance Company has reviewed the foregoing  
3 Order.

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

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

11 4. United Automobile Insurance Company 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. United Automobile Insurance Company 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. Richard P. Parcelllo, Sr., who holds the office of  
20 President at United Automobile Insurance Company, is  
21 authorized to enter into this Order for them and on their behalf.

22 **UNITED AUTOMOBILE INSURANCE COMPANY**

23  
24 December 3, 2013 By   
25 Date

1 COPY of the foregoing mailed/delivered  
2 this 10th day of January , 2014, to:

3 Germaine L. Marks  
4 Director of Insurance  
5 Darren Ellingson  
6 Deputy Director  
7 Director's Office  
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  
Phoenix, AZ 85018

Danice Davis  
Western Regional Manager  
United Automobile Insurance Company  
PO Box 15490  
Scottsdale, Arizona 85267



## EXHIBIT A

### **Underwriting Authorization Disclosure**

This form fails to comply with A.R.S. § 20-2106(7)(b) and (9).

The following table summarizes these authorization form findings.

<b>Form Description / Title</b>	<b>Form #</b>	<b>Statute Provision</b>
Automobile Insurance Application	AZ APP 02/13	A.R.S. § 20-2106(7)(b) and (9)

### **Claim Authorization Disclosure**

This form fails to comply with A.R.S. § 20-2106(9).

The following table summarizes these authorization form findings.

<b>Form Description / Title</b>	<b>Form #</b>	<b>Statute Provision</b>
HIPPA - Health Information Release Form	MDALA	A.R.S. § 20-2106(9)