

1 policies issued during the time frame of the examination and found that YAIC failed to
2 fully document and accurately apply rating point surcharges used to determine the
3 premium on 9 surcharged policies. During the review of the Company's private
4 passenger automobile policy surcharge rating practices, YAIC made restitution
5 payments to all policyholders owed refunds which resulted in total restitution payments
6 of \$152.00.

7 4. The examiners reviewed 21 of 21 private passenger automobile policies,
8 in effect more than sixty (60) days, cancelled for non-payment of premium during the
9 time frame of the examination and found that YAIC failed to include in the notice the
10 insureds right to complain to the director in all 21 cancellation notices sent to
11 policyholders. The Department's records reflect that YAIC has subsequently revised its
12 cancellation notice form to include the required language.

13 5. The examiners reviewed 122 policies in effect for more than sixty (60)
14 days that had been non-renewed for non-payment of premium, during the time frame of
15 the examination and found that YAIC failed to send non-renewal notices for non-
16 payment of premium to all 122 policyholders. The Department's records reflect that
17 YAIC has subsequently revised its procedures with respect to non-renewal notices, and
18 such procedures are in compliance with Arizona law.

19 6. The examiners reviewed 100 partial loss and total loss paid claims settled
20 during the time frame of the examination and found that YAIC failed to promptly
21 investigate claims within thirty (30) days after receipt of the claim notice in 9 claim
22 settlements.

23 7. The examiners found one claim authorization disclosure form, the
24 *Authorization to Release Confidential Health Information*, used during the time frame of
25 the examination that failed to specify: the purposes for which the information is

1 collected, that the authorization remains valid for no longer than the duration of the
2 claim and advise the individual or a person authorized to act on behalf of the individual
3 that they are entitled to receive a copy of the authorization form. The Department's
4 records reflect that YAIC's claim authorization disclosure form has been revised to
5 include the required language.

6 8. The examiners found one claim form, the *Authorization to Release*
7 *Confidential Health Information*, used by the Company during the time frame of the
8 examination that failed to contain a compliant fraud warning notice. The Department's
9 records reflect that YAIC's claim form has been revised to include the required fraud
10 warning notice.

11 9. The examiners reviewed a total of 111 partial loss and total loss paid
12 claims, and claims closed without payment settled during the time frame of the
13 examination and found that YAIC failed to produce and make accessible claim
14 documents including; denial letters, damage estimates, adjuster notes and record of
15 payments, that permitted examiners to reconstruct events and dates pertinent to 56
16 claim settlements. The examiners determined that YAIC discontinued a third party
17 computer software system and transitioned to a new system. The 111 paid claims
18 referenced above were related to the discontinued system, and no accessibility findings
19 were identified in the new system.

20 10. The examiners reviewed 84 private passenger automobile total loss claims
21 processed by the Company during the time frame of the examination and found that
22 YAIC failed to correctly calculate and fully pay appropriate tax, license registration
23 and/or air quality fees payable in the settlement of 56 total losses. During the review of
24 the Company's private passenger automobile total loss claim settlement practices,
25 YAIC made restitution payments to all claimants owed refunds which resulted in

1 restitution payments of \$6,354.47, plus \$121.12 interest, for a total of \$6,475.59.

2
3 **CONCLUSIONS OF LAW**

4 1. YAIC violated A.R.S. §20-385 by failing to fully document and accurately
5 apply rating point surcharges used to determine the premium for private passenger
6 automobile policies.

7 2. YAIC violated A.R.S. §20-1632.01(B) by failing to include the insureds
8 right to complain to the Director in policy cancellation notices.

9 3. YAIC violated A.R.S. §20-1632.01 by failing to send non-renewal notices
10 to policyholders cancelled for non-payment of premium.

11 4. YAIC violated A.R.S §§20-461(A)(6), and A.A.C. R20-6-801(F) by failing
12 to promptly investigate claims within thirty (30) days after receipt of the claim notice.

13 5. YAIC violated A.R.S. §20-2106(6), (8)(b) and (9) by using claim
14 authorization forms that failed to contain a compliant *Authorization for the Release of*
15 *Information*.

16 6. YAIC violated A.R.S. §20-466.03 by using a claim form that failed to
17 contain a compliant fraud warning notice.

18 7. YAIC violated A.R.S §§20-157, 20-157.01 and A.A.C. R20-6-801(C) by
19 failing to maintain all notes and work papers pertaining to claim files in such detail that
20 pertinent events and the dates of such events can be reconstructed.

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

24 9. Grounds exist for the entry of the following Order in accordance with
25 A.R.S. §§20-220 and 20-456 and 20-2117.

1 **ORDER**

2 **IT IS HEREBY ORDERED THAT:**

3 1. Young America Insurance Company shall:

4 a. accurately document and apply filed surcharges to determine policy
5 premium for private passenger automobile policies.

6 b. include the insureds right to complain to the Director in all policy
7 cancellation notices.

8 c. send non-renewal notices to policyholders cancelled for non-payment
9 of premium at renewal.

10 d. investigate claims within thirty (30) days after receipt of the claim
11 notice.

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

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

15 g. maintain claim files in such detail that pertinent events and the dates
16 of such events can be reconstructed.

17 h. correctly calculate and fully pay sales tax and other fees payable in
18 the settlement of total losses.

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

1 COPY of the foregoing mailed/delivered
2 this 17th day of July , 2014, to:

3 Germaine L. Marks
4 Director of Insurance

5 Darren Ellingson
6 Deputy Director
7 Director's Office

8 Maria Ailor
9 Acting Assistant Director
10 Consumer Affairs 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 Chuck Gregory
20 Special Agent Supervisor
21 Investigations Division

22 Helene I. Tomme
23 Market Examinations Supervisor
24 Market Oversight Division

25 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Tasha N. Cycholl
Kutak Rock LLP
8601 North Scottsdale Road, Suite 300
Scottsdale, Arizona 85253-2742

