

MAY 14 2015

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY ms

In the Matter of:)	Docket No. 15A-047-INS
)	
FIRST AMERICAN PROPERTY & CASUALTY)	
)	CONSENT ORDER
INSURANCE COMPANY,)	
)	
NAIC # 37710,)	
)	
<u>Respondent</u>)	

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of First American Property & Casualty Insurance Company ("FAPC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of First American Property & Casualty Insurance Company, the examiners allege that FAPC violated A.R.S. §§20-461, 20-462, 20-466.03, 20-1652, 20-2104, 20-2106, and 20-2110.

First American Property & Casualty Insurance Company wishes to resolve this matter without formal proceedings, enters into this Consent Order for the purpose of disposing of the matters addressed herein, 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. First American Property & Casualty 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 First American Property & Casualty Insurance Company. The examination covered the time period from July 1, 2013 through June 30, 2014 and concluded on January 26, 2015. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of First American Property & Casualty

1 Insurance Company” dated June 30, 2014.

2 3. The examiners reviewed 50 of 59 Private Passenger Automobile new
3 and/or renewal policies issued during the time frame of the examination and found that
4 FAPC failed to provide 13 new business applicants a Notice of Insurance Information
5 Practices prior to obtaining personal information from a third party.

6 4. The examiners reviewed 176 of 483 homeowner and dwelling fire policies
7 non-renewed or cancelled due to an adverse underwriting decision, during the time
8 frame of the examination and found that FAPC failed to provide a compliant Summary
9 of Rights to 176 policyholders.

10 5. The examiners reviewed 23 of 122 homeowner policies non-renewed for
11 underwriting reasons during the time frame of the examination and found that FAPC
12 failed to provide notice of an additional 30-days to remedy the identified conditions, via
13 a Condition of Premises letter, prior to non-renewing 6 policyholders.

14 6. The examiners found one claim authorization disclosure form, the *HIPAA*
15 *Compliant Authorization to Disclose Health Information and Other Records*, used
16 during the time frame of the examination that failed to specify that the authorization
17 remains valid for no longer than the duration of the claim and advise the individual or a
18 person authorized to act on behalf of the individual that they are entitled to receive a
19 copy of the authorization form.

20 7. The examiners found one claim form, the *Release of All Claims*, used by
21 the Company during the time frame of the examination that failed to contain an Arizona
22 compliant fraud warning notice.

23 8. During the examiner review of the Company's homeowner Transaction
24 Privilege Tax claim settlement practices, FAPC resettled all outstanding claims which
25 resulted in restitution payments to 7 first-party claimants of \$1,122.78 which included

1 \$169.15 in interest.

2 **CONCLUSIONS OF LAW**

3 1. FAPC violated A.R.S. §20-2104(B)(1)(b) by failing to provide the
4 applicant with a Notice of Insurance Information Practices at the time it requested
5 personal information from a third party.

6 2. FAPC violated A.R.S. §20-2110 by failing to send policyholders a
7 compliant Summary of Rights in the event of an adverse underwriting decision.

8 3. FAPC violated A.R.S. §20-1652(B) by failing to give the insured a 30-day
9 notice to remedy identified conditions prior to non-renewal.

10 4. FAPC violated A.R.S. §20-2106(8)(b) and (9) by using non-compliant
11 Disclosure Authorization forms.

12 5. FAPC violated A.R.S. §20-466.03 by using a claim form that failed to
13 contain a compliant fraud warning notice.

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

16
17 **ORDER**

18 **IT IS HEREBY ORDERED THAT:**

19 1. First American Property & Casualty Insurance Company, ("FAPC") shall
20 upon the filed date of this order:

21 a. provide applicants with a Notice of Insurance Information Practices
22 prior to obtaining personal information from a third party.

23 b. provide insureds a compliant Summary of Rights in the event of an
24 adverse underwriting decision.

25 c. give the insured a 30-day notice to remedy identified conditions prior

1 to non-renewal.

2 d. update the claim authorization disclosure forms to contain a compliant
3 *Authorization for the Release of Information.*

4 e. update claim forms to contain a compliant fraud warning notice.

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

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

13 4. FAPC shall pay a civil penalty of \$11,000.00 to the Director for remission to
14 the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
15 §20-220(B). FAPC shall submit the civil penalty to the Market Oversight Division of the
16 Department prior to the filing of this Order.

17 5. When filing this Order, the Department will also file the Report of Target
18 Market Examination of First American Property & Casualty Insurance Company, of
19 June 30, 2014, including the FAPC response to the report.

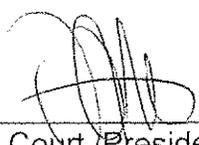
20 DATED at Arizona this 14th day of May, 2015.

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23 _____
24 Germaine L. Marks
25 Director of Insurance

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FIRST AMERICAN PROPERTY & CASUALTY
INSURANCE COMPANY

5-6-2015
Date

By 
James J. Court, President

1 COPY of the foregoing mailed/delivered
2 this 14th day of May , 2015, to:

3 Germaine L. Marks
4 Director of Insurance

5 Darren Ellingson
6 Deputy Director
7 Director's Office

8 Yvonne R. Hunter
9 Assistant Director
10 Consumer Affairs Division

11 Kurt Regner
12 Assistant Director
13 Financial Affairs Division

14 David Lee
15 Chief Financial Examiner

16 Erin Klug
17 Assistant Director
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