

1 examination was concluded as of August 4, 1992 and a Report of
2 Examination ("the Report") was written. The policies reviewed
3 were all effective after August 18, 1987.

4 3. Chicago cancelled twelve (12) personal automobile
5 policies for "underwriting reasons". All of these policies were
6 cancelled within the first sixty (60) days of their effective
7 dates. Chicago did send notices of cancellation to the
8 policyholders. The notices did not contain a statement of the
9 specific facts which constituted the reasons, consistent with
10 A.R.S. § 20-1631, for cancellation by Chicago.

11 4. Chicago issued seven (7) notices of cancellation which
12 did not inform the insureds of their possible eligibility for
13 the automobile assigned risk plan.

14 5. Chicago failed to include a refund of the unearned
15 premium due with the notice of cancellation of one (1) policy,
16 #PA3-2001016, which was not financed. Chicago returned the
17 unearned premium due to the insured two (2) days after the
18 notice of cancellation was sent.

19 6. The Examiners found that Chicago had failed to pay the
20 full amount of applicable title and registration fees due on
21 three (3) first party automobile total loss claims, as follows:
22 #10-2-3-14608, \$4.00; 10-2-3-14668, \$12.00; 10-2-3-14684, \$12.00.
23 Respondents failed to pay these claims in full within thirty
24 (30) days after the receipt of an acceptable proof of loss which
25 contained all information necessary for claim adjudication, and
26 did not pay interest thereon.

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2 CONCLUSIONS OF LAW

3 1. By stating "underwriting reasons" rather than specific
4 facts consistent with A.R.S. § 20-1631 as the reasons for policy
5 cancellation, Chicago violated A.R.S. § 20-1632(A)(1).

6 2. By failing to include a statement in notices of
7 cancellation which informed the insureds of their possible
8 eligibility for the automobile assigned risk plan, Chicago
9 violated A.R.S. § 20-1632(A)(2).

10 3. Chicago violated A.R.S. § 20-1632(A)(3) by failing to
11 include a refund of unearned premium with the notice of
12 cancellation of a personal automobile policy which was not
13 financed.

14 4. By failing to pay the full amount of taxes and fees
15 required for the purchase of comparable automobiles to
16 first-party claimants in their settlement of first-party
17 automobile total loss claims, Respondents violated A.A.C.
18 R4-14-801(H)(1)(b) and A.R.S. § 20-461(A).

19 ORDER

20 Respondents having admitted the jurisdiction of the
21 Director to enter the Order set forth herein, having waived the
22 Notice of Hearing, and having consented to the entry of the
23 Order set forth hereinafter, and there being no just reason for
24 delay:

25 **IT IS HEREBY ORDERED THAT:**

26 1. Respondents shall cease and desist from:
27 a. stating reasons for policy cancellation in
28 notices of cancellation other than within a statement of the . .
. . . .

1 specific facts which constitute the reasons consistent with
2 A.R.S. § 20-1631;

3 b. failing to pay the full amount of applicable
4 title and registration fees due on first-party personal
5 automobile claims

6 2. Within sixty (60) days of this Order's filed date,
7 Chicago shall submit to the Director written action plans to
8 ensure that all future policy cancellations for reasons other
9 than non-payment of premium, including those within sixty (60)
10 days of policy effective dates, comply with the provisions of
11 A.R.S. § 20-1632. Any bulletins to be issued by Chicago in
12 compliance with the above shall be submitted to the Director for
13 approval.

14 3. Chicago shall provide to the Director a copy of the
15 letter of explanation transmitting the refund Chicago sent to
16 the insured of Policy #PA3-2001589.

17 4. Chicago shall provide to the Director a copy of the
18 letter of explanation by which Chicago transmitted to the
19 claimants listed in Finding of Fact #8 the title and
20 registration fees which were not paid on their first party total
21 loss claims.

22 5. The ADOI shall be permitted, through authorized
23 representatives, to verify Respondents have fully complied with
24 all requirements of this Order, and the Director may separately
25 order Respondents to comply.

26 6. Respondents shall pay a civil penalty of One Thousand
27 Seven Hundred Dollars (\$1,700) to the Director for remission to
28 the State Treasurer for deposit in the State General Fund in

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accordance with A.R.S. §20-220 (B). Said \$1,700 shall be provided to the Examinations Division of the ADOI on or before May 31, 1995.

7. The August 4, 1992 Report of Examination, to include any objections to the Report by Respondents, shall be filed with the ADOI.

DATED at Phoenix, Arizona this 15th day of August, 1995.



Chris Herstam
Director of Insurance

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CONSENT TO ORDER

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2 1. Respondent Chicago Insurance Company has reviewed the
3 foregoing Consent Order.

4 2. Respondent is are aware of its right to a hearing at
5 which hearing Respondent may be represented by counsel, present
6 evidence and cross-examine witnesses. Respondent has
7 irrevocably waived its right to such public hearing and to any
8 court appeals relating thereto.

9 3. Respondent admits the jurisdiction of the Director of
10 Insurance, State of Arizona, and consents to the entry of this
11 Consent Order.

12 4. Respondent states that no promise of any kind or
13 nature whatsoever was made to it to induce it to enter into this
14 Consent Order and that it has entered into this Consent Order
15 voluntarily.

16 5. Respondent acknowledges that the acceptance of this
17 Order by the Director of Insurance, State of Arizona, is
18 solely for the purpose of settling this matter against it and
19 does not preclude any other agency or officer of this state or
20 subdivision thereof from instituting other civil or criminal
21 proceedings as may be appropriate now or in the future.

22 6. Douglas E. Boyce represents that as
23 Senior Vice President -
24 Underwriting he is an officer of Respondent Chicago
25 Insurance Company and that, as such, he is authorized by it to
26 enter into this Consent Order on its behalf.

27 7/31/95
28 (Date)



CHICAGO INSURANCE COMPANY

1 COPY of the foregoing mailed/delivered
2 this 15th day of August , 1995, to:

3 Charles R. Cohen
Deputy Director
4 Gregory Y. Harris
Executive Assistant Director
5 Lewis D. Kowal
Chief Administrative Law Judge
6 Erin H. Klug
Executive Assistant to the Director
7 Jimmy R. Potts
Examinations Coordinator
8 Market Conduct Examinations Division
Saul R. Saulson
9 Examinations Supervisor
Market Conduct Examinations Division
10 Mary Butterfield
Assistant Director
11 Life & Health Division
Deloris E. Williamson
12 Assistant Director
Rates & Regulations Division
13 Gary Torticill
Assistant Director and Chief Financial Examiner
14 Corporate & Financial Affairs Division
Cathy O'Neil
15 Assistant Director
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17 Property and Casualty Section

18 DEPARTMENT OF INSURANCE
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