

PRESS RELEASE

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State Insurance Department Protects Consumers Against Unfair Marketing and Claims Settlement Practices Throughout Arizona; Orders Insurance Firms to Pay \$1.8 Million to Policyholders

In protecting consumers and business owners throughout the state, the work of the Market Conduct Examination Division of the Arizona Department of Insurance resulted in orders to 101 insurance companies to pay policyholders more than \$1.8 million in restitution during the past three years.

In addition, the companies that were targeted for examinations of their marketing, rating, underwriting and claims practices were ordered to pay the state more than \$1.7 million in civil penalties.

Charles R. Cohen, director of the state Insurance Department, said, "Obtaining refunds for overcharges in premiums or under-payments of claims is an essential component of market conduct examinations."

This division performs market conduct examinations of property, casualty, life and health insurers; health care services organizations; hospital, medical, dental and optometric service corporations, and prepaid dental plan organizations.

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Examinations of an insurance company may be a comprehensive review of its market practices, or may be targeted to specific issues. Detailed research is conducted on a continuing basis to target companies and issues to examine, including the volume and nature of complaints received against a specific company, a significant growth or decline in premiums or policyholders, actions taken by other state regulators and a history of prior violations.

“We are particularly interested in determining whether a company engages in unfair trade or claim settlement practices,” Cohen said. “In addition, we check to see if insurance companies provide the notices and disclosures to consumers as required by law. For instance, if you apply for any type of personal insurance and the company declines to insure you, you must be notified of the specific reason for the declination or for any restriction of coverage.”

Among the settlement practices considered unfair are: misrepresenting pertinent facts or policy provisions; failing to affirm or deny claims within a reasonable period; compelling insureds to sue to recover amounts due under a policy; and attempting to settle a claim on the basis of an application that was altered without the insured’s knowledge.

As an example, Cohen recalled a market conduct examination that resulted in a wide-ranging consent order last October involving Providian Auto and Home Insurance Company, formerly known as Worldwide Underwriters Insurance Company.

“The company had failed to follow certain requirements regarding claims payments and policy cancellation procedures,” Cohen said. “The company also had charged faulty rates for many personal automobile policies, which had resulted in overcharges to policyholders. The company was cooperative and implemented many corrective measures to address the deficiencies and violations identified during the examination.”

As a direct result of the consent order, the company has paid more than \$110,000 in restitution to more than 600 Arizona policyholders, Cohen said.

If you have any insurance questions, you can write to the Arizona Department of Insurance at 2910 N. 44th St., Phoenix, AZ 85018, or call 1 800 325-2548.

(This is one in a series of articles produced by the Arizona Department of Insurance for consumers in rural Arizona.)