

MAR 22 2001

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY

<p>In the Matter of:</p> <p>TWIN CITY FIRE INSURANCE COMPANY,</p> <p>NAIC #29459,</p> <p style="text-align: center;">Respondent</p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>Docket No. 01A-082-INS</p> <p>CONSENT ORDER</p>
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Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Twin City Fire Insurance Company ("Twin City Fire"). The Report of Examination of the Market Conduct Affairs of Twin City Fire alleges that Twin City Fire has violated A.R.S. §§ 20-357, 20-385, 20-400.01, and 20-1652.

Twin City Fire wishes to resolve this matter without formal proceedings, neither admits or denies the following Findings of Fact and Conclusions of Law, and consents to the entry of the following Order.

FINDINGS OF FACT

1. Twin City Fire is authorized to transact property and casualty insurance, including workers compensation, pursuant to a Certificate of Authority issued by the Director.
2. The Examiners were authorized by the Director to conduct a market conduct examination of Twin City Fire. The on-site examination was concluded on November 17, 1995. Based on the findings the Examiners prepared the "Report of Examination of Twin City Fire Insurance Company" dated November 17, 1995.
3. The Examiners reviewed 293 homeowner policies issued by the Company during the time frame of the examination and found that Twin City Fire

1 nonrenewed 39 policies for condition of the premises and failed to give these insureds
2 30 days to remedy the condition.

3 4. The Examiners reviewed 254 Workers' Compensation policies issued by
4 the Company during the time frame of the examination and found as follows:

5 a. Twin City Fire issued five policies and failed to provide
6 documentation of the schedule credits/debits applied.

7 b. Twin City Fire issued 17 policies where the completed Schedule
8 Rating Worksheet was not sent to the NCCI pursuant to the NCCI's filing requirements.

9 c. Twin City Fire issued nine policies in which it used its Schedule
10 Rating Plan as an "inappropriate pricing tool."

11 d. Twin City Fire issued two policies where it failed to complete a loss
12 prevention survey within 90 days as required by Rule 7 of the Plan.

13 e. Twin City Fire issued 13 policies where it depressed the Arizona
14 estimated payroll for various classification codes.

15 5. The Examiners reviewed 205 Commercial Automobile policies issued by
16 the Company during the time frame of the examination and found as follows:

17 a. Twin City Fire issued two policies where it failed to apply the
18 Experience Rating Plan when the risks were eligible.

19 b. Twin City Fire issued two policies without using known losses in
20 the experience calculations.

21 c. Twin City Fire issued five policies containing tier notations where it
22 failed to include documentation to allow the Director to verify compliance with Arizona
23 Statutes.

24 6. The Examiners reviewed 205 Commercial Package policies issued by the
25 Company during the time frame of the examination and found as follows:

1 a. Twin City Fire failed to document any justification for changes in
2 schedule credits/debits applied to two policies.

3 b. Twin City Fire issued five policies where these insureds were
4 eligible, but not considered, for schedule rating.

5 c. Twin City Fire issued two policies where it failed to apply
6 experience rating when the risks were eligible.

7 7. The Examiners reviewed 194 Specialty policies issued by the Company
8 during the time frame of the examination and found as follows:

9 a. Twin City Fire issued 17 policies that failed to include
10 documentation of IRPM/schedule credits/debits given.

11 b. Twin City Fire issued nine policies where the Company files
12 contained inadequate documentation for justification for change in credits/debits.

13 c. Twin City Fire issued six policies where it documented the
14 individual risk characteristics under the schedule rating plan that exceeded the
15 maximum credit/debit allowed under the filed plan.

16 d. Twin City Fire issued three policies where it failed to apply
17 Experience/Schedule Rating to eligible coverages.

18 e. Twin City Fire issued six policies that failed to include any
19 documentation supporting the development of the experience modifications.

20 f. Twin City Fire issued four policies where it failed to use the correct
21 experience period.

22 g. Twin City Fire issued 13 policies where it failed to apply the correct
23 Special Multi-Flex modification.

24 h. Twin City Fire issued nine policies where it failed to use its filed
25 rates.

1 i. Twin City Fire issued 16 policies where it used an "a" rate not filed
2 with the Department.

3 j. Twin City Fire issued eight policies where the Company used an
4 "a" rate different than what was published.

5 k. Twin City Fire issued 12 policies where it failed to apply the filed
6 minimum premiums.

7 l. Twin City Fire issued three policies where it failed to charge
8 premiums for all coverages and exposures.

9 m. Twin City Fire misclassified 13 policies.

10 n. Twin City Fire issued seven policies where it applied an unfiled
11 modifier.

12 o. Twin City Fire issued four E&O policies where it failed to use its
13 filed retained minimum premiums of \$2,000.

14 8. The Company overcharged eight policyholders a total of \$9,773.

15 **CONCLUSIONS OF LAW**

16 1. By failing to provide at least 30 days to remedy the condition of the
17 premises of homeowner policies, Twin City Fire violated A.R.S. § 20-1652(B).

18 2. By making adjustments to full manual premium developed for workers'
19 compensation, commercial package, and specialty lines policies without adequate
20 justification for the adjustments, Twin City Fire violated A.R.S. § 20-400.01(B).

21 3. By failing to send copies of workers' compensation schedule rating
22 worksheets to NCCI, Twin City Fire violated A.R.S. § 20-357(E).

23 4. By determining premiums of workers' compensation policies other than
24 on the basis of its rates and rules filed pursuant to A.R.S. 20-357(E), Twin City Fire
25 violated A.R.S. § 20-400.01(A).

1 e. Failing to conduct loss prevention survey in accordance with NCCI
2 rules.

3 f. Making adjustments to full manual premium on all its commercial
4 package and specialty lines policies without adequate justification for the adjustments.

5 g. Failing to include sufficient documentation in commercial
6 automobile policy files to enable the examiners to determine how it developed the
7 premium.

8 h. Determining the premiums of its commercial automobile,
9 commercial package, and specialty lines policies other than on the basis of its rates
10 and rules filed.

11 i. Failing to provide adequate documentation in support of the
12 credits and debits applied to commercial package and specialty lines policies.

13 j. Failing to use its filed rates to issue commercial package and
14 specialty lines policies.

15 2. Within 90 days of filed date of this Order, Twin City Fire shall submit to
16 the Arizona Department of Insurance, for approval, evidence that corrections have
17 been implemented and communicated to the appropriate personnel, regarding all of
18 the items listed above in the Paragraph 1 of the Order section of this Consent Order.
19 Evidence of corrective action and communication thereof includes, but is not limited to,
20 memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and
21 training materials.

22 3. Within 90 days of the filed date of this Order, Twin City Fire shall refund
23 the following overcharge amounts plus one year's interest at the rate of ten percent per
24 annum.

25 a. \$7,357 to the two insureds listed in Exhibit A.

1 b. \$2,416 to the six insureds listed in Exhibit B.

2 4. Each payment made in accordance with Item 3 above shall be
3 accompanied by a letter to the insureds in a form previously approved by the Director.
4 A list of payments, giving the name and address of each party paid, the amount of the
5 payment, the amount of interest paid, and the date of payment, shall be provided to
6 the Department within 90 days of the filed date of this Order.

7 5. The Department shall be permitted, through authorized representatives,
8 to verify that Twin City Fire has complied with all provisions of this Order.

9 6. Twin City Fire shall pay a civil penalty of \$10,000 to the Director for
10 deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil
11 penalty shall be provided to the Market Conduct Examinations Division of the
12 Department prior to the filing of this Order.

13 7. The Report of Examination of the Market Conduct Affairs of Twin City
14 Fire dated November 17, 1995, including the letter submitted in response to the Report
15 of Examination, shall be filed with the Department after the Director has filed this
16 Order.

17 DATED at Phoenix, Arizona this 21st day of March, 2001.

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Charles R. Cohen
Director of Insurance

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EXHIBIT A

COMMERCIAL PACKAGE

Policy #	Date	Overcharge
UEN HL4861	10/01/92	\$ 4,942
UEN HL8718	01/29/93	\$ 2,415
Total:		\$7,357

EXHIBIT B

SPECIALTY LINES

	Claim No.	Overcharge \$
UUN	SX8073	\$ 657
CES	QN1822	\$ 27
CLS	QA7754	\$ 232
CLS	QN1405	\$ 500
CLS	SA7117	\$ 500
CLS	QL1636	\$ 500
TOTAL:		\$ 2,416

1 CONSENT TO ORDER

2 1. Twin City Fire Insurance Company has reviewed the foregoing Order.

3 2. Twin City Fire Insurance Company admits the jurisdiction of the Director
4 of Insurance, State of Arizona, neither admits nor denies the foregoing Findings of
5 Fact, and Conclusions of Law, and consents to the entry of the foregoing Order.

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

10 4. Twin City Fire Insurance Company states that no promise of any kind or
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that
12 it has entered into this Consent Order voluntarily.

13 5. Twin City Fire Insurance Company acknowledges that the acceptance of
14 this Order by the Director of the Arizona Department of Insurance is solely for the
15 purpose of settling this matter and does not preclude any other agency or officer of this
16 state or its subdivisions or any other person from instituting proceedings, whether civil,
17 criminal, or administrative, as may be appropriate now or in the future.

18 6. George Klotzbaugh, who holds the office of
19 Vice President and Compliance Director of Twin City Fire Insurance Company, is authorized
20 to enter into this Order for it and on its behalf.

21
22 **TWIN CITY FIRE INSURANCE COMPANY**

23 3/7/01

24 Date

25 By: George Klotzbaugh

1 COPY of the foregoing mailed/delivered
2 This 22nd day of March 2001, to:

3 Sara Begley
4 Deputy Director
5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
8 Paul J. Hogan
9 Chief Market Conduct Examiner
10 Market Conduct Examinations Division
11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
14 Steve Ferguson
15 Assistant Director
16 Financial Affairs Division
17 Alexandra Shafer
18 Assistant Director
19 Life & Health Division
20 Nancy Howse
21 Chief Financial Examiner
22 Terry L Cooper
23 Fraud Unit Chief

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

Sheila C. Ward, Regulatory Compliance Director
TWIN CITY FIRE INSURANCE COMPANY
Corporate Compliance Department
Hartford Plaza
Hartford, CT 06115

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