

1 3. Western Family has been purchased by Abdula Badani and Anchor
2 Insurance Holdings, Inc. effective January 1, 2001. On December 20, 2000, following
3 a public hearing, the Department adopted the recommended Findings of Fact and
4 Conclusions of Law of the Office of Administrative Hearings. The Administrative Law
5 judge specifically found, among other things, that Mr. Badani's and Anchor's
6 acquisition and control of Western Family, is not contrary to law; is not inequitable to
7 the shareholders of any domestic insurer involved; would not substantially reduce the
8 security of and service to be rendered to the policyholders of the insurer in this State or
9 elsewhere; is not likely to be hazardous or prejudicial to the insurance buying public.

10 4. The Administrative Law judge also found that the financial condition of
11 Anchor would not jeopardize the stability of Western Family or prejudice the interests
12 of its policyholders and the competence, experience and integrity of those persons
13 who would control the operation of Western Family are such that it would be in the
14 public interest of the policyholders of the insurer and of the public to permit acquisition
15 of control.

16 5. Mr. Badani, as the new owner, has replaced all management of Western
17 Family. The new owner and present management were not involved in any way with
18 Western Family at the time of the Examination.

19 6. The Examiners reviewed 199 of 5,398 personal automobile policies
20 issued by the Company during the time frame of the examination and found as follows:

21 a. Western Family classified nine risks other than according to its
22 filed rates and rules. As a result, nine insureds were overcharged by \$74.00. Western
23 Family has refunded the \$74.00 overcharge amounts to the nine insureds.

24 b. Western Family determined the premiums of two policies on the
25 basis of unfiled rates and rules.

1 c. Western Family's filed rules stated that all policies are issued for
2 terms of 30 days. Western Family issued 60 policies for terms other than 30 days.
3 Western Family has refiled its rules, which provide for terms other than 30 days.

4 7. The Examiners reviewed 12 of 12 first party automobile total loss claims
5 that exceeded \$1,000 that were paid by the Company during the time frame of the
6 examination and found that Western Family failed to pay one claimant \$311.26, for
7 applicable taxes, license fees, and other fees incidental to transfer of evidence of
8 ownership of a comparable automobile when the insured retained the salvage vehicle.
9 Western Family has since reimbursed the insured for these taxes and fees.

10 8. The Examiners reviewed 266 of 5,127 personal automobile cancellation
11 and non-renewal files handled for the Company by its general agents, CBIA, Inc. and
12 Premier General Insurance Agency, that were terminated during the time frame of the
13 examination, and found as follows:

14 a. Western Family failed to renew 63 policies. These policies were run
15 on CBIA software. After the termination of CBIA, Western Family did not experience
16 any problems with renewals.

17 b. Western Family canceled/nonrenewed 73 policies for nonpayment of
18 premium, but failed to provide a seven-day grace period to the insureds and failed to
19 send notices of cancellation to the insureds on the effective dates of cancellation.

20 c. Western Family canceled two policies for underwriting reasons, but
21 failed to refund the unearned premium to the insureds at the time the cancellation
22 notices were sent.

23 d. Western Family failed to provide eight insureds whose policies were
24 canceled the Summary of Rights required when an insurer notifies an applicant or
25 policyholder of an adverse underwriting decision.

1 **CONCLUSIONS OF LAW**

2 1. Western Family violated A.R.S. §20-385(A) by deviating from its filed
3 rates and rules in its classification of personal automobile risks, its determination of
4 personal automobile premiums, and its policy terms.

5 2. Western Family violated A.R.S. §20-1631(D) by nonrenewing personal
6 automobile policies for reasons other than those permitted by law.

7 3. Western Family violated A.R.S. §20-1632.01(A) and (B) by failing to
8 provide a seven-day grace period after policy expiration dates to personal automobile
9 insureds prior to canceling or nonrenewing their policies for nonpayment of premium
10 and failing to send a notice of cancellation on the effective date of the cancellation.

11 4. Western Family violated A.R.S. §20-1632(C) by failing to send refunds of
12 unearned premium to personal auto insureds at the same time as the notices of
13 cancellation for underwriting reasons.

14 5. Western Family violated A.R.S. §20-2110(A) by failing to provide
15 insureds whose policies were canceled with the required Summary of Rights.

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

18
19 **ORDER**

20 **IT IS HEREBY ORDERED THAT:**

- 21 1. Western Family Insurance Company shall:
- 22 a. Classify risks on the basis of its filed rates and rules.
 - 23 b. Issue policies for terms stated in its filed rates and rules.
 - 24 c. Nonrenew personal automobile policies only for reasons permitted
25 by law.

1 d. Provide a seven-day grace period after policy expiration dates to
2 personal automobile insureds prior to canceling or nonrenewing their policies for
3 nonpayment of premium.

4 e. Send notices of cancellation or non-renewal to personal
5 automobile insureds for non-payment of premium after the seven-day grace period on
6 the effective date of cancellation.

7 f. Send refunds of unearned premium to personal auto insureds at
8 the same time as the notices of cancellation for underwriting reasons.

9 g. Provide insureds whose policies were canceled or nonrenewed for
10 reasons other than nonpayment of premium with the Summary of Rights required
11 when an insurer notifies an applicant or policyholder of an adverse underwriting
12 decision.

13 2. The Director acknowledges that corrections were implemented
14 immediately after the conclusion of the examination with regard to all of the items listed
15 in Paragraph 1 of the Order Section of this Consent Order.

16 3. The Department shall be permitted, through authorized representatives,
17 to verify that Western Family Insurance Company has complied with all provisions of
18 this Order.

19 4. Western Family Insurance Company shall pay a civil penalty of \$12,000
20 to the Director for deposit in the State General Fund in accordance with A.R.S. §§20-
21 220(B) and 20-2117. The civil penalty shall be provided to the Market Conduct
22 Examination Division of the Department prior to the filing of this Order. It is
23 acknowledged that pursuant to the Stock Purchase Agreement between Mr. Badani
24 and the former owners of Western Family, this civil penalty may be paid directly by
25 such sellers to extinguish the obligation of the Company.

CONSENT TO ORDER

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2 1. Western Family Insurance Company has reviewed the foregoing Order.

3 2. Western Family Insurance Company admits the jurisdiction of the Director
4 of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to
5 the entry of the Conclusions of Law and Order.

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

10 4. Western Family 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. Western Family Insurance Company acknowledges that the acceptance
14 of 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. Abe Badani, who holds the office of
19 President of Western Family Insurance Company, is authorized to
20 enter into this Order for it and on its behalf.

21
22 **WESTERN FAMILY INSURANCE COMPANY**

23 3/14/2001

24 Date

24 By:

A. Badani

1 **COPY of the foregoing mailed/delivered**

2 this 26th day of March, 2001, to:

3 Sara Begley

Deputy Director

4 Mary Butterfield

Assistant Director

5 Consumer Affairs Division

6 Paul J. Hogan

Chief Market Conduct Examiner

7 Deloris E. Williamson

Assistant Director

8 Rates & Regulations Division

Steve Ferguson

9 Assistant Director

Financial Affairs Division

10 Nancy Howse

Chief Financial Examiner

11 Alexandra Shafer

Assistant Director

12 Life and Health Division

13 Dennis Babka

Life and Health Section Supervisor

14 Terry L. Cooper

Fraud Unit Chief

16 DEPARTMENT OF INSURANCE

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17 Phoenix, AZ 85018

19 Ms. Christy C. Brown, Esq.

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