

APR 3 2001

DEPT. OF INSURANCE
BY CO

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of:)	Docket No. 01A-091-INS
American Family Home Insurance Company,)	CONSENT ORDER
NAIC #23450)	
Respondent)	

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of American Family Home Insurance Company ("American Family Home"). The Report of Examination of the Market Conduct Affairs of American Family Home alleges that American Family Home has violated A.R.S. §§20-297, 20-311, 20-385, 20-461, 20-1652, 20-1653, 20-2110, and A.A.C. R20-6-801.

American Family Home wishes to resolve this matter without formal proceedings, 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

- American Family Home is authorized to transact property and casualty insurance, pursuant to a Certificate of Authority issued by the Director.
- The Examiners were authorized by the Director to conduct a market conduct examination of American Family Home. The on-site examination covered the time period from July 1, 1996 through June 30, 1999 and was concluded on September 2, 1999. Based on the findings the Examiners prepared the "Report of

1 Examination of the Market Conduct Affairs of American Family Home Insurance
2 Company" dated September 2, 1999.

3 3. American Family Home failed to submit its list of agents to the
4 Department by January 30 of the years 1996 and 1999. In addition, the Company
5 failed to submit its list of licensed lender/dealer agents for the time period of the
6 Examination.

7 4. The Examiners reviewed the licensing of 12 of 166 American Family
8 Home lender/dealer agents included on the Company's list of lender/dealers and found
9 that the Company paid commissions to four unlicensed lender/dealer agents during the
10 time frame of the Examination.

11 5. The Examiners reviewed 108 of 7,710 issued mobile home policies with
12 effective dates during the time frame of the Examination and found as follows:

13 a. American Family Home incorrectly rated 14 mobile home policies
14 with the "In-Park" rate classification instead of the "Out-of-Park" rate.

15 b. American Family Home incorrectly issued 60 policies with a
16 \$500.00 maximum coverage for Damage to Property of Others when in fact the
17 maximum filed amount was \$250.00.

18 c. American Family Home issued 28 mobile home policies using
19 coverage limits other than those for which the rates were filed.

20 6. The Examiners reviewed 105 of 7,631 mobile home policies canceled or
21 nonrenewed during the time frame of the Examination and found as follows:

22 a. American Family Home failed to include the Summary of Rights in
23 the notices sent to seven canceled and five nonrenewed policyholders.

24 b. American Family Home failed to provide 30 days notice to remedy
25 a condition of premises to two nonrenewed policyholders.

1 c. American Family Home failed to provide two mobile home
2 policyholders with the specific facts for nonrenewal of their coverage.

3 7. The Examiners reviewed 76 of 416 mobile home claims paid during the
4 time frame of the Examination and found that American Family Home failed to disclose
5 to seven mobile home first party claimants all pertinent benefits, coverages or other
6 provisions of the insurance contract under which claims were presented.

7 8. American Family Home charged one insured for earthquake coverage
8 that was already included in the policy, resulting in an overcharge of \$36.00. After the
9 Examiners brought this overcharge to the American Family Home's attention, the
10 Company refunded the overcharge to the insured in December 1999.

11 **CONCLUSIONS OF LAW**

12 1. American Family Home violated A.R.S. §20-297 by failing to submit its
13 list of agents to the Department by January 30 of each year and failing to include all
14 lenders/dealer agents in its submission.

15 2. American Family Home violated A.R.S. §20-311(A) by paying
16 commissions to unlicensed agents.

17 3. American Family Home violated A.R.S. §20-385(A) by charging incorrect
18 rates or applying limits other than those filed with the Department.

19 4. American Family Home violated A.R.S. §20-2110(A) by failing to provide
20 a Summary of Rights.

21 5. American Family Home violated A.R.S. §20-1652(B) by failing to provide
22 30 days notice to remedy a condition of premises.

23 6. American Family Home violated A.R.S. §20-1653(2) by failing to provide
24 the specific facts for nonrenewal.

25 7. American Family Home violated A.R.S. §20-461(A)(1) and A.A.C. R20-6-

1 801(D)(1) by failing to disclose all pertinent benefits, coverages or other provisions of
2 the insurance contract under which claims were presented.

3 8. Grounds exist for the entry of the following Order, in accordance with
4 A.R.S. §§20-220, 20-456 and 20-2117.

5 **ORDER**

6 **IT IS ORDERED THAT:**

7 1. American Family Home shall:

8 a. Submit its list of all agents and brokers authorized to write
9 business by January 30 of each year.

10 b. Pay commissions to licensed lender/dealer agents.

11 c. Issue policies with a correct rate classification, and correct/unfiled
12 coverage limit.

13 d. Include a Summary of Rights on all canceled and nonrenewed
14 policies.

15 e. Provide 30 days notice to remedy a condition of premises prior to
16 non-renewing a policyholder when condition of premises is the reason for nonrenewal.

17 f. Provide the specific facts for nonrenewal on all nonrenewed
18 policies.

19 g. Disclose to all claimants all pertinent benefits, coverages, or other
20 provisions of the insurance contract under which a claim is presented.

21 2. Within 90 days of the filed date of this Order, American Family Home
22 shall submit to the Arizona Department of Insurance, for approval, evidence that
23 corrections have been implemented and communicated to the appropriate personnel
24 for all of the items mentioned in Paragraph 1 of the Order section of this Consent
25 Order. Evidence of corrective action and communication thereof includes but is not


1 limited to memos, bulletins, E-mails, correspondence, procedures manuals, print
2 screens and training materials.

3 3. The Department shall be permitted, through authorized representatives, to
4 verify that American Family Home has complied with all provisions of this Order.

5 4. American Family Home shall pay a civil penalty of \$9,750 to the Director for
6 deposit in the State General Fund in accordance with A.R.S. §20-220(B). This civil
7 penalty shall be provided to the Market Conduct Examinations Section of the
8 Department prior to the filing of this Order.

9 5. The Report of Examination of the Market Conduct Affairs of American
10 Family Home dated September 2, 1999, including the letter submitted in response to
11 the Report of Examination, shall be filed with the Department after the Director has
12 filed this Order.

13 DATED at Phoenix, Arizona this 3rd day of April, 2001.

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15 _____
16 Charles R. Cohen
17 Director of Insurance

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1 **CONSENT TO ORDER**

2 1. American Family Home Insurance Company has reviewed the attached
3 Consent Order.

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

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

11 4. American Family Home Insurance Company states that no promise of
12 any kind or nature whatsoever was made to it to induce it to enter into this Order and
13 that it has entered into this Order voluntarily.

14 5. American Family Home Insurance Company acknowledges that the
15 acceptance of this Order by the Director of Insurance, State of Arizona, is solely to
16 settle this matter against it and does not preclude any other agency or officer of this
17 state or its subdivisions or any other person from any other civil or criminal
18 proceedings, whether civil, criminal, or administrative, as may be appropriate now or in
19 the future.

20 6. D. EUGENE STETLER, who holds the office of
21 VICE PRESIDENT of American Family Home Insurance Company, is
22 authorized to enter into this Order for it and on its behalf.

23
24 **AMERICAN FAMILY HOME INSURANCE COMPANY**

25 3/28/01
Date

By: D. Eugene Stetler

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COPY of the foregoing mailed/delivered
This 3rd day of April 2001, to:

- Sara Begley
Deputy Director
- Paul J. Hogan
Chief Market Conduct Examiner
Market Conduct Examinations Section
- Mary Butterfield
Assistant Director
Consumer Affairs Division
- Deloris E. Williamson
Assistant Director
Rates & Regulations Division
- Steve Ferguson
Assistant Director
Financial Affairs Division
- Nancy Howse
Chief Financial Examiner
Financial Affairs Division
- Alexandra Shafer
Assistant Director
Life & Health Division
- Terry L. Cooper
Fraud Unit Chief

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Amelia, OH 45102