

APR 3 2001

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY

<p>In the Matter of:</p> <p>American Modern Home Insurance Company</p> <p>NAIC #23469</p> <p>Respondent</p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>Docket No. 01A-092-INS</p> <p>CONSENT ORDER</p>
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Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of American Modern Home Insurance Company ("American Modern Home"). The Report of Examination of the Market Conduct Affairs of American Modern Home alleges that American Modern Home has violated A.R.S. §§20-297, 20-400.01, 20-1674 and 20-1677.

American Modern 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

1. American Modern Home is authorized to transact property and casualty insurance, 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 American Modern 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 Examination of the Market Conduct Affairs of American Modern Home Insurance Company" dated September 2, 1999.

1 3. American Modern Home failed to submit its list of agents to the
2 Department by January 30 of the years 1996 and 1999.

3 4. The Examiners reviewed 56 of 4,785 Commercial Multi-Peril (CMP)
4 policies with effective dates during the time frame of the examination and found as
5 follows:

6 a. American Modern Home failed to provide any documentation in 35
7 CMP files to support and justify the Individual Risk Premium Modification (IRPM)
8 applied to these risks.

9 b. American Modern Home failed to show evidence in eight CMP
10 files to show that these eligible risks were considered for the IRPM Rating Plan.

11 c. American Modern Home failed to send notice of change, premium
12 increase, change in deductible, reduction in limits or substantial reduction in coverage
13 to 21 CMP policyholders at least 60 days before the expiration date of these policies.

14 d. American Modern Home failed to use the IRPM Rating Plan as a
15 measurement of individual risk characteristics on six CMP policy files.

16 5. The Examiners reviewed 51 of 3,847 Commercial Fire (CF) policies
17 issued during the time frame of the examination and found as follows:

18 a. American Modern Home failed to provide any documentation in 10
19 CF files linking the support of the percent credit/debit applied under the IRPM Rating
20 Plan.

21 b. American Modern Home failed to provide evidence in 16 IRPM
22 eligible CF files that the risks were ever considered for the IRPM Rating Plan.

23 c. American Modern Home failed to give six CF insureds the required
24 60 days notice of premium increase or policy change.

25 6. The Examiners reviewed 64 of 3,288 Commercial Multi-Peril (CMP)
policies cancelled during the time frame of the examination and found as follows:

1 a. American Modern Home failed to send the refund of unearned
2 premium directly to two insureds following cancellation of their policies.

3 b. American Modern Home failed to send the notice of change,
4 premium increase, change in deductible or substantial reduction in coverage to eight
5 insureds 60 days before the expiration date of the policy.

6 7. American Modern Home applied a flood exclusion to one Commercial
7 Fire policy but charged the full comprehensive coverage rate generating an overcharge
8 in the amount of \$140.00. The Company later endorsed the policy and refunded the
9 overcharge to the insured.

10 **CONCLUSIONS OF LAW**

11 1. American Modern Home violated A.R.S. §20-297 by failing to submit its
12 list of agents to the Department by January 30 of each year.

13 2. American Modern Home violated A.R.S. §20-400.01(B)(2) by failing to
14 maintain documentation to support and justify IRPM credits/debits.

15 3. American Modern Home violated A.R.S. §20-400.01(A) by failing to issue
16 policies with premiums developed consistent with its filed rates.

17 4. American Modern Home violated A.R.S. §20-1677(A) by failing to send
18 notice of change or premium increases to policyholders at least 60 days before the
19 expiration date of their policies.

20 5. American Modern Home violated A.R.S. §20-1674(B) by failing to send a
21 refund of unearned premium with the cancellation notice to CMP insureds.

22 6. Grounds exist for the entry of the following Order, in accordance with
23 A.R.S. §§20-220 and 20-456.

24 **ORDER**

25 **IT IS ORDERED THAT:**

- 1 1. American Modern Home Insurance Company shall:
- 2 a. Submit its list of agents authorized to write business by January 30
- 3 of each year.
- 4 b. Maintain documentation to support and justify any credits/debits
- 5 applied to policies was warranted.
- 6 c. Issue policies with premiums consistent with the Company's filed
- 7 rates and rules.
- 8 d. Send notice of change or premium increases to policyholders at
- 9 least 60 days before the expiration date of their policies.
- 10 e. Send a refund of unearned premium with the cancellation notice to
- 11 insureds where required.

12 2. Within 90 days of the filed date of this Order, American Modern Home

13 shall submit to the Arizona Department of Insurance, for approval, evidence that

14 corrections have been implemented and communicated to the appropriate personnel

15 for all of the items mentioned in Paragraph 1 of the Order section of this Consent

16 Order. Evidence of corrective action and communication thereof includes but is not

17 limited to memos, bulletins, E-mails, correspondence, procedures manuals, print

18 screens and training materials.

19 3. The Department shall be permitted, through authorized representatives,

20 to verify that American Modern Home has complied with all provisions of this Order.

21 4. American Modern Home Insurance Company shall pay a civil penalty of

22 \$8,550 to the Director for deposit in the State General Fund in accordance with A.R.S.

23 §20-220(B). This civil penalty shall be provided to the Market Conduct Examinations

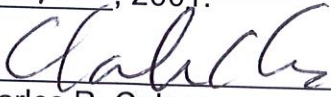
24 Section of the Department prior to the filing of this Order.

25 5. The Report of Examination of the Market Conduct Affairs of American

Modern Home dated September 2, 1999, including the letter submitted in response to

1 the Report of Examination, shall be filed with the Department after the Director has
2 filed this Order.

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

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6 Charles R. Cohen
7 Director of Insurance

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1 **CONSENT TO ORDER**

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

4 2. American Modern Home Insurance Company admits the jurisdiction of
5 the 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 Modern 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 Modern 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 Modern 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 Modern 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 Modern Home Insurance Company, is
22 authorized to enter into this Order for it and on its behalf.

23 **AMERICAN MODERN HOME INSURANCE COMPANY**

24 3/28/01
25 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
Consumer Services and Investigations
- Terry L. Cooper
Fraud Unit Chief
- Alexandra Shafer
Assistant Director
Life and Health Division

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Amelia, OH 45102