

1 during the time frame of the examination and found as follows:

2 a. GuideOne applied an incorrect classification to the vehicle when
3 rating four policies

4 b. GuideOne applied incorrect territory codes in the rating of four
5 policies.

6 c. GuideOne failed to charge a premium for uninsured motorist coverage
7 on one policy.

8 4. The Examiners reviewed 50 of 641 commercial package policy files issued or
9 renewed during the time frame of the examination and found as follows:

10 a. GuideOne failed to provide a 60-day notice of premium increase on
11 38 policies.

12 b. GuideOne applied an incorrect protection class to four policies.

13 c. GuideOne supporting documentation in two policy files to justify the
14 difference of the Individual Risk Premium Modification (IRPM) was different than the
15 IRPM that was incorrectly applied by the Company.

16 d. GuideOne failed to have any documentation in three policy files
17 linking support to justify the IRPM that was applied by the Company.

18 e. GuideOne failed to include adequate documentation in 12 policy files
19 linking the support to justify the IRPM that was applied by the Company.

20 5. The Examiners reviewed 44 of 44 personal automobile policy files canceled
21 during the time frame of the examination and found as follows:

22 a. GuideOne failed to provide the seven-day grace period to eight
23 insureds.

24 b. GuideOne failed to advise 19 policyholders of the right to complain
25 to the Director of the insurer's action within ten days after receipt of the cancellation

1 notice by the insured.

2 c. GuideOne failed to adhere to the provisions of 19 policies by
3 canceling policies inconsistently with the cancellation provisions of the policies.

4 d. GuideOne failed to send the final cancellation notice after the
5 grace period, effective on the date of cancellation, to ten insureds who were canceled
6 mid-term for nonpayment of premium.

7 6. The Examiners reviewed 50 of 69 business automobile policies that were
8 either canceled or nonrenewed during the time frame of the examination and found as
9 follows:

10 a. GuideOne's reason for nonrenewal of six policy files was not
11 consistent with the language in the policy for nonrenewal.

12 b. GuideOne failed to provide a seven-day grace period for nonpayment
13 of the premium to ten insureds, as required by the provisions of the policy.

14 7. The Examiners reviewed 50 of 84 commercial package and commercial
15 umbrella policy files that were canceled during the time frame of the examination and
16 found that GuideOne failed to provide evidence that the Notice of Cancellation for
17 nonpayment of premium was sent by certified mail to three insureds.

18 8. The Examiners reviewed all of the Company's claim files and found that
19 GuideOne failed to include a fraud warning statement on any of its claims forms.

20 9. The Examiners reviewed four of four first party automobile total loss claim
21 files settled during the time frame of the examination and found that GuideOne failed
22 to pay all sales taxes and fees in the settlement of two claims.

23 10. GuideOne's failure to issue business automobile and commercial package
24 policies according to the terms of its filed rates and rules resulted in 21 insureds being
25 overcharged a total of \$2,349.00. GuideOne's failure to pay all the required sales

1 taxes and fees resulted in two insureds being underpaid a total of \$1,239.50 for first-
2 party automobile total loss settlements. GuideOne has reimbursed the two insureds
3 for the underpayments, plus \$114.61 in interest.

4 **CONCLUSIONS OF LAW**

5 1. GuideOne violated A.R.S. §§20-385(A) and 20-400.01(A) by applying
6 incorrect classifications, incorrect territories and failing to charge a premium for
7 uninsured motorist coverage on business automobile policies and by applying incorrect
8 protection classes on commercial package policies.

9 2. GuideOne violated A.R.S. §20-1677(A) by failing to provide insureds a 60-
10 day notice of premium increase on commercial package policies.

11 3. GuideOne violated A.R.S. §20-400.01(A) and (B) by misapplication of
12 IRPM's and lack of documentation justifying the IRPM, pursuant to its Individual Risk
13 Premium Modification Plan on commercial package policies.

14 4. GuideOne violated A.R.S. §20-1632.01(A) by failing to provide the seven day
15 grace period to personal automobile insureds during which time the policy would
16 remain in force without penalty when canceling personal automobile policies.

17 5. GuideOne violated A.R.S. §20-1632.01(B) by failing to advise insureds of the
18 right to complain to the Director of the insurer's action within ten days after receipt of
19 the cancellation notice by the insured and by failing to send the cancellation notice
20 after the grace period effective on the date of cancellation when canceling personal
21 automobile policies.

22 6. GuideOne violated A.R.S. §20-443(1) by failing to adhere to the provisions of
23 issued business and personal automobile policies.

24 7. GuideOne violated A.R.S. §§20-1674(A) and 20-1678 by failing to provide
25 evidence that the Notice of Cancellation of commercial package and commercial

1 umbrella policies were sent by certified mail to the insured for nonpayment of premium.

2 8. GuideOne violated A.R.S. §20-466.03 by failing to include any fraud warning
3 statement on its claims forms.

4 9. GuideOne violated A.A.C. R20-6-801(H)(1)(b) and A.R.S. §20-461(A)(6) by
5 failing to pay first party total loss claimants the full amount of applicable taxes and
6 other fees incident to transfer of evidence of ownership of comparable automobiles.

7 10. Pursuant to A.R.S. §§20-220 and 20-456, grounds exist for the entry of the
8 following Order.

9 **ORDER**

10 **IT IS ORDERED THAT:**

11 1. GuideOne shall cease and desist from:

12 a. Failing to adhere to its filed personal automobile and commercial
13 lines rates, rating plans, rules and underwriting guidelines.

14 b. Failing to provide 60 days notice of premium increases on
15 commercial package policies.

16 c. Failing to include documentation in rating files supporting any
17 deviations from the filed commercial package policy rates.

18 d. Failing to advise policyholders of the right to complain to the Director
19 within 10 days of receipt of the insurer's cancellation of personal automobile policies.

20 e. Failing to comply with the stated policy provisions for nonrenewal and
21 cancellations on all policies.

22 f. Failing to send final cancellation notices after the grace period,
23 effective on the date of cancellation of personal automobile policies.

24 g. Failing to mail cancellation notices of commercial package and
25 commercial umbrella policies by certified mail.

1 h. Failing to include the required fraud warning on claim forms.

2 i. Failing to pay all first party automobile total loss claimants all
3 applicable taxes, license fees and other fees incident to transfer of evidence of
4 ownership of comparable automobiles.

5 2. Within 90 days of the filed date of this Order, GuideOne shall submit to the
6 Arizona Department of Insurance, for approval, evidence that corrections have been
7 implemented and communicated to the appropriate personnel regarding all of the items
8 mentioned in paragraph 1 of the Order section of this Consent Order. Evidence of
9 corrective action and communication thereof includes, but is not limited to memos,
10 bulletins, E-mails, correspondence, procedures manuals, print screens and training
11 materials:

12 3. Within 90 days of the filed date of this Order, GuideOne shall pay \$21.00 to
13 the insured for policy number BA60J2377173 and \$84.00 to the insured for policy
14 number BA60F3946038. Payments shall include interest at the rate of 10 percent per
15 annum, calculated from the date the premium was received until the date the refund is
16 made.

17 4. Within 90 days of the filed date of this Order, GuideOne shall pay \$88.00 to
18 the insured for policy number BA60F3922077. Payment shall include interest at the
19 rate of 10 percent per annum, calculated from the date the premium was received until
20 the date the refund is made.

21 5. Within 90 days of the filed date of this Order, GuideOne shall pay \$1,014.00
22 to the insureds listed in Exhibit A of this Order. Payments shall include interest at the
23 rate of 10 percent per annum, calculated from the date the premium was received until
24 the date the refund is made.

25 6. Within 90 days of the filed date of this Order, GuideOne shall pay \$11.00 to

1 the insured for policy number 01097020. Payment shall include interest at the rate of
2 10 percent per annum, calculated from the date the premium was received until the
3 date the refund is made.

4 7. Within 90 days of the filed date of this Order, GuideOne shall pay \$381.00 to
5 the insureds listed in Exhibit B of this Order. Payments shall include interest at the
6 rate of 10 percent per annum, calculated from the date the premium was received until
7 the date the refund is made.

8 8. Within 90 days of the filed date of this Order, GuideOne shall pay \$750.00 to
9 the insureds listed in Exhibit C of this Order. Payments shall include interest at the
10 rate of 10 percent per annum calculated from the date the premium was received until
11 the date the refund is made.

12 9. Each payment made in accordance with Items 3, 4, 5, 6, 7, and 8 above
13 shall be accompanied by a letter to either the insured or claimant in a form approved
14 by the Director. GuideOne shall list the payments, giving the name and address of
15 each party paid, the amount of the payment, the amount of interest paid, and the date
16 of payment, and shall provide this list to the Department, within 90 days of the filed
17 date of this Order.

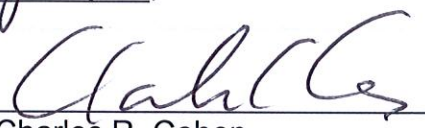
18 10. The Department shall be permitted, through authorized representatives, to
19 verify that GuideOne has complied with all provisions of this Order.

20 11. GuideOne shall pay a civil penalty of \$9,000.00 to the Director for deposit in
21 the State General Fund in accordance with A.R.S. §20-220(B). This civil penalty shall
22 be provided to the Market Conduct Examinations Section of the Department prior to
23 the filing of this Order.

24 12. The Report of Examination of the Market Conduct Affairs of GuideOne
25 Mutual Insurance Company, dated June 9, 2000, including the letter submitted in

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

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

5
6 
7 Charles R. Cohen
8 Director of Insurance
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

EXHIBIT A

COMMERCIAL PACKAGE POLICIES

APPLIED INCORRECT PROTECTION CLASS

<u>Policy Number</u>	<u>Policy Term</u>	<u>Overcharge</u>
01033517	3/12/99-3/12/00	\$50.00
01104727	6/23/98-6/23/99	880.00*
01104727	6/23/99-6/23/00	39.00
01104727	6/23/00-6/23/01	<u>45.00</u>
		\$1,014.00

*Includes premium overcharge for incorrect protection class and inadequate documentation to support IRPM that was incorrectly applied.

EXHIBIT B

**NO DOCUMENTATION IN THE POLICY FILE JUSTIFYING THE IRPM THAT
WAS INCORRECTLY APPLIED BY THE COMPANY**

<u>Policy Number</u>	<u>Policy Term</u>	<u>Overcharge</u>
06000555	12/14/99-00	\$298.00
01187271	2/12/00-01	<u>83.00</u>
	Total	\$381.00

1 EXHIBIT C

2 INADEQUATE DOCUMENTATION IN THE POLICY FILE JUSTIFYING THE IRPM
3 MODIFICATION THAT WAS INCORRECTLY APPLIED BY THE COMPANY

4

5 <u>Policy Number</u>	<u>Policy Term</u>	<u>Overcharge</u>
6 01033517	3/12/00-01	\$39.00
7 01051772	2/19/00-01	58.00
8 01079036	5/14/00-01	9.00
9 01089956	2/4/00-01	68.00
10 01087895	9/15/99-00	64.00
11 01189492	6/1/00-01	229.00
12 01186903	1/26/00-01	90.00
13 01074553	9/10/99-00	35.00
14 01110394	10/05/99-00	36.00
15 01108896	10/1/99-00	<u>122.00</u>
		\$750.00

16
17
18
19
20
21
22
23
24
25

1 **CONSENT TO ORDER**

2 1. GuideOne Mutual Insurance Company has reviewed the attached
3 Consent Order.

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

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

14 5. GuideOne Mutual 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. Thomas C. Farr, who holds the office of
21 Secretary of GuideOne Mutual Insurance Company, is
22 authorized to enter into this Order for it and on its behalf.

23 **GUIDEONE MUTUAL INSURANCE COMPANY**

24 3/21/01
25 Date

By: Thomas C. Farr

1 COPY of the foregoing mailed/delivered
2 this 3rd day of April 2001, to:

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

15
16 DEPARTMENT OF INSURANCE
2910 North 44th Street, Second Floor
17 Phoenix, AZ 85018

18
19 GUIDEONE MUTUAL INSURANCE COMPANY
Mr. Sam Waters, Assistant General Counsel
20 1111 Ashworth Road
West Des Moines, Iowa 50265-3538

21
22 
23
24
25