

APR 10 2001

DEPT. OF INSURANCE  
BY                     

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:

**CALIFORNIA CASUALTY INDEMNITY EXCHANGE,**

NAIC #20117,

**Respondent**

) Docket No. 01A-100-INS

) CONSENT ORDER

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of California Casualty Indemnity Exchange ("CCIE"). The Report of Examination of the Market Conduct Affairs of CCIE alleges that CCIE has violated A.R.S. §§20-1632, 20-1632.01, and the prior Consent Order, Docket No. 8177, which was filed on August 13, 1993 (The "1993 Order").

CCIE 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. CCIE 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 CCIE. The on-site examination covered claims and underwriting for the period from April 1, 1996 through March 31, 1999 and was concluded on September 17, 1999. Based on their findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of California Casualty Indemnity Exchange" dated September 17, 1999.

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1 Following a market conduct examination of CCIE as of November 13, 1992, the  
2 Director entered a Consent Order, Docket No. 8177, which was filed on August 13,  
3 1993. (The "1993 Order"). In pertinent part, the 1993 Order stated as follows:

4 Respondent shall cease and desist from failing to include a notice of the  
5 insured's right to complain to the Director on all notices of cancellation for non-  
6 payment of premium; from failing to pay the full amount of taxes and fees due  
on first-party personal automobile claims...

7 3. The Examiners reviewed 106 of 5,350 personal automobile policy files  
8 cancelled during the time frame of the examination and found as follows:

9 a. CCIE failed to include a notice of the insured's right to complain to  
10 the Director in 106 of the files.

11 b. CCIE failed to send a final notice of cancellation after the grace  
12 period when a premium had not been paid in 106 of the files.

### 13 CONCLUSIONS OF LAW

14 1. CCIE violated A.R.S. §§20-1632(A)(1), 20-1632.01(B) and the 1993 Order  
15 by failing to advise insureds in the notice of cancellation of the right to complain to the  
16 Director.

17 2. CCIE violated A.R.S. §20-1632.01(B) by failing to send a final notice of  
18 cancellation after the seven-day grace period for non-payment cancellations of  
19 automobile policies.

20 3. Grounds exist for the entry of the following Order, in accordance with  
21 A.R.S. §§20-220.

### 22 ORDER

#### 23 **IT IS ORDERED THAT:**

24 1. CCIE shall cease and desist from:

25 a. Failing to provide notice of the insured's right to complain to the



1 Director on all automobile Notices of Cancellation.

2 b. Failing to send a final notice of cancellation after the seven day  
3 grace period on all automobile Notices of Cancellation for non-payment of premium.

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

11 3. The Department shall be permitted, through authorized representatives,  
12 to verify that CCIE has complied with all provisions of this Order.

13 4. CCIE shall pay a civil penalty of \$10,000 to the Director for deposit in the  
14 State General Fund in accordance with A.R.S. §20-220(B). This civil penalty shall be  
15 provided to the Market Conduct Examinations Section of the Department prior to the  
16 filing of this Order.

17 5. The Report of Examination of the Market Conduct Affairs of CCIE dated  
18 September 17, 1999, including the letter submitted in response to the Report of  
19 Examination, shall be filed with the Department after the Director has filed this Order.

20 DATED at Phoenix, Arizona this 9<sup>th</sup> day of April, 2001.

21 

22 Charles R. Cohen  
23 Director of Insurance

**CONSENT TO ORDER**

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2           1.     California Casualty Indemnity Exchange has reviewed the foregoing  
3 Order.

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

11           4.     California Casualty Indemnity Exchange states that no promise of any  
12 kind or nature whatsoever was made to it to induce it to enter into this Order and that it  
13 has entered into this Consent Order voluntarily.

14           5.     California Casualty Indemnity Exchange 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.     Joseph L. Volponi, who holds the office of Senior Vice President of  
21 California Casualty Management Company, Attorney-in-Fact for California Casualty  
22  
23  
24  
25

1 Indemnity Exchange, is authorized to enter into this Order for it and on its behalf.

2 **CALIFORNIA CASUALTY INDEMNITY EXCHANGE**

3 By: California Casualty Management Company, its  
Attorney-in-fact

4 4/3/01

5 Date

6 By: Joseph L. Volponi  
Joseph L. Volponi, Senior Vice President

7 COPY of the foregoing mailed/delivered

8 This 10th day of April 2001, to:

9 Sara Begley

10 Deputy Director

11 Mary Butterfield

12 Assistant Director

13 Consumer Affairs Division

14 Paul Hogan

15 Chief Market Conduct Examiner

16 Market Conduct Examinations Section

17 Deloris E. Williamson

18 Assistant Director

19 Rates & Regulations Division

20 Steve Ferguson

21 Assistant Director

22 Financial Affairs Division

23 Nancy Howse

24 Chief Financial Examiner

25 Financial Affairs Division

Alexandra Shafer

Assistant Director

Life and Health Division

Terry Cooper

Manager

Fraud Unit

DEPARTMENT OF INSURANCE

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25 Curvey Burton  
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