

APR 10 2001

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY CB

In the Matter of:

CALIFORNIA CASUALTY INSURANCE COMPANY,

NAIC #20125,

Respondent

) Docket No. 01A-101-INS

) CONSENT ORDER

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

CCIC 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. CCIC 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 CCIC. The on-site examination covered claims and underwriting for the period from April 3, 1996 through March 30, 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 Insurance Company" dated September 17, 1999.

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

5 Respondent shall cease and desist from failing to include a notice of the
6 insured's right to complain to the Director on all notices of cancellation for non-
7 payment of premium...

8 4. The Examiners reviewed 104 of 22,359 personal automobile policy files
9 cancelled or nonrenewed during the time frame of the examination and found as
10 follows:

11 a. CCIC failed to include a notice of the insured's right to complain to
12 the Director in 104 files.

13 b. CCIC failed to send a final notice of cancellation after the grace
14 period when a premium had not been paid in 104 files.

15 **CONCLUSIONS OF LAW**

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

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

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

24 **ORDER**

25 **IT IS ORDERED THAT:**

1. CCIC shall cease and desist from:

1 a. Failing to provide notice of the insured's right to complain to the
2 Director on all automobile Notices of Cancellation.

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

5 2. Within 90 days of the filed date of this Order, CCIC 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
8 items mentioned in Paragraph 1 of the Order section of this Consent Order. Evidence
9 of 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. The Department shall be permitted, through authorized representatives,
13 to verify that CCIC has complied with all provisions of this Order.

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

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

21 DATED at Phoenix, Arizona this 9th day of April, 2001.

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23 Charles R. Cohen
24 Director of Insurance
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1 CONSENT TO ORDER

2 1. California Casualty Insurance Company has reviewed the foregoing
3 Order.

4 2. California Casualty 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. California Casualty 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. California Casualty Insurance Company irrevocably waives its right to such
10 notice and hearing and to any court appeals related to this Order.

11 4. California Casualty Insurance Company 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 Order voluntarily.

14 5. California Casualty 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. Joseph L. Volponi, who holds the office of Senior Vice President, Director
21 of Actuarial, Underwriting and Product Development of California Casualty
22 Management Company, Manager for California Casualty Insurance Company, is

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1 authorized to enter into this Order for it and on its behalf.

2 **CALIFORNIA CASUALTY INSURANCE COMPANY**

3 By: California Casualty Management Company,
its Manager

4 4/3/01
Date

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

5 COPY of the foregoing mailed/delivered

6 This 10th day of April 2001, to:

7 Sara Begley

Deputy Director

8 Mary Butterfield

Assistant Director

9 Consumer Affairs Division

Paul Hogan

10 Chief Market Conduct Examiner

Market Conduct Examinations Section

11 Deloris E. Williamson

Assistant Director

12 Rates & Regulations Division

13 Steve Ferguson

Assistant Director

14 Financial Affairs Division

Nancy Howse

15 Chief Financial Examiner

16 Financial Affairs Division

Alexandra Shafer

Assistant Director

17 Life and Health Division

18 Terry Cooper

Manager

19 Fraud Unit

20 DEPARTMENT OF INSURANCE

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