

1 the Market Conduct Affairs of the CNA Insurance Companies Including Continental
2 Casualty Company NAIC #20443 and American Casualty Company of Reading, PA
3 NAIC #20427.

4 3. Respondents are members of the National Council on Compensation
5 Insurance ("NCCI"), a workers' compensation rating organization licensed by the
6 Department to file rates and forms on behalf of its members.

7 4. The Examiners reviewed 58 workers' compensation policies issued by
8 the Respondents during the time frame of the examination and found as follows:

9 a. Respondents failed to apply or attach the ARD endorsement on
10 eight policies.

11 b. Respondents attached a manuscript cancellation endorsement in
12 conflict with Arizona Law on 3 policies.

13 c. Respondents failed to display the Risk ID on four policies.

14 d. Respondents failed to follow their Large Deductible Rate Filing by
15 applying an incorrect deductible credit factor and including Allocated Loss Adjustment
16 Expenses (ALAE) within the deductible provisions on two Professional Employer
17 Organizations (PEOs). One policyholder was billed \$66.00 in error. This overcharge
18 has been refunded.

19 e. Respondents failed to provide adequate information documenting
20 deductible credit calculations on two PEO Large Deductible Policies.

21 f. Respondents failed to issue one policy within 90 days of the binder
22 effective date.

23 g. Respondents failed to include the NCCI mandatory endorsement
24 WC020301 with 25 policies.

1 h. Respondents failed to apply the correct Experience Modification on
2 nine policies, resulting in two insureds being overcharged \$8,261. These amounts
3 have been refunded.

4 **CONCLUSIONS OF LAW**

5 1. Respondents violated A.R.S. §20-357(E) by failing to attach mandatory
6 endorsements, by not displaying the Risk ID on the Information page, and by including
7 ALAE within the deductible provisions of Large Deductible Policies.

8 2. Respondents violated A.R.S. §§20-357(E) and 20-400.01(A) by using an
9 incorrect deductible credit factor when calculating rates on a Large Deductible Policy.

10 3. Respondents violated A.R.S. §§20-357(E) and 20-400.01(D) by not
11 documenting deductible credit calculations on Large Deductible Policies.

12 4. Respondents violated A.R.S. §§20-357(E) by failing to apply the correct
13 Experience Modifications on certain policies and applying modifications where no
14 modifications were filed.

15 5. Respondents violated A.R.S. §20-1120(B) by failing to issue policies
16 within 90 days of the binder effective date.

17 6. Grounds exist for the entry of the following Order in accordance with
18 A.R.S. §§ 20-220, 20-456 and 20-397.

19 **ORDER**

20 **IT IS HEREBY ORDERED THAT:**

21 1. Respondents shall:
22 a. Attach mandatory endorsements; display the Risk ID on the policy
23 Information page and not include ALAE within the deductible provisions of Large
24 Deductible Policies; and follow the development of deductible credits according to its
25 filing.

1 **CONSENT TO ORDER**

2 1. Continental Casualty Company and American Casualty Company of
3 Reading, PA ("Respondents") have reviewed the foregoing Order.

4 2. Respondents admit the jurisdiction of the Director of Insurance, State of
5 Arizona, admit the foregoing Findings of Fact, and consent to the entry of the
6 Conclusions of Law and Order.

7 3. Respondents are aware of the right to a hearing, at which they may be
8 represented by counsel, present evidence and cross-examine witnesses. Respondents
9 irrevocably waive the right to such notice and hearing and to any court appeals related
10 to this Order.

11 4. Respondents state that no promise of any kind or nature whatsoever was
12 made to them to induce them to enter into this Consent Order and that they have
13 entered into this Consent Order voluntarily.

14 5. Respondents acknowledge that the acceptance of this Order by the
15 Director of the Arizona Department of Insurance is solely for the purpose of settling this
16 matter and does not preclude any other agency or officer of this state or its
17 subdivisions or any other person from instituting proceedings, whether civil, criminal, or
18 administrative, as may be appropriate now or in the future.

19 6. Michael C. Jibben, who holds the office of
20 Senior Vice President of Respondents is authorized to enter into this Order
21 for them and on their behalf.

22 **Continental Casualty Company,**
23 **American Casualty Company of Reading, PA**

24 12/19/01
Date

By [Signature]

1 COPY of the foregoing mailed/delivered
2 This 25th day of January 2002, to:

3 Sara Begley
4 Deputy Director
5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
8 Paul J. Hogan
9 Chief Market Conduct Examiner
10 Market Conduct Examinations Section
11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
14 Steve Ferguson
15 Assistant Director
16 Financial Affairs Division
17 Alexandra Shafer
18 Assistant Director
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