

1 3. Hawkeye is a member of the Insurance Service Office (“ISO”); a property
2 and casualty rating organization duly licensed by the Department to file rates and forms
3 on behalf of its members. Hawkeye has also independently filed certain rates and
4 forms. Such rates rules and forms filed by the Hawkeye, or filed on its behalf, are
5 included in this Order’s reference to Hawkeye’s “filed rates and rules.”

6 4. The Examiners reviewed 226 policies out of 11,000 policies issued by
7 Hawkeye during the time frame of the examination, consisting of Businessowner (BOP)
8 Garage Businessowner (GBOP), Garage policies (GAR), Commercial Automobile (CA),
9 Contractors Plus Commercial Automobile (CPCA), Contractors Plus General Liability
10 (CPGL), General Liability (GL), Property (PROP) Umbrellas (UMB) and found as
11 follows:

12 a. Hawkeye failed to include documentation for the application of
13 schedule rating in the premium determination of 13 policies, consisting of two BOP,
14 one CA, one CPGL, five GAR, one GL, and three GBOP policies.

15 b. Hawkeye failed to include adequate facts supporting changes for
16 the application of schedule rating in the premium determination of 22 policies,
17 consisting of five BOP, two CA, one CPCA, five CPGL, five GAR, and four GBOP
18 policies.

19 c. Hawkeye failed to apply the documented credit on one CA policy.

20 d. Hawkeye failed to consider seven eligible policies for schedule
21 rating, consisting of one CA, one GAR, and five BOP policies.

22 e. Hawkeye failed to apply schedule rating in a manner consistent
23 with it’s filed rates and rules on four policies, consisting of one BOP, one CA, one
24 CPGL, and one GL policy.

1 f. Hawkeye failed to mail or deliver to the named insureds written
2 notice of premium increase, at least 60 days before the expiration on 36 policies,
3 consisting of 13 BOP, ten CPGL, five GAR, two GL, and six GBOP policies.

4 g. Hawkeye cancelled four policies for reasons that are not allowed
5 by statute, consisting of one GBOP and three GAR policies.

6 h. Hawkeye failed to include documentation for the application of
7 experience rating in the premium determination of four policies, consisting of two CA
8 and two GL policies.

9 i. Hawkeye failed to apply the computed experience modifier on two
10 CPGL policies.

11 j. Hawkeye applied experience rating on three ineligible CA policies.

12 k. Hawkeye failed to apply experience rating on 22 eligible policies,
13 consisting of one CPCA, 11 CPGL, six GAR, and four GL policies.

14 l. Hawkeye failed to include documented losses in the experience
15 calculation on two GAR policies.

16 m. Hawkeye failed to include actual plan premiums in a manner
17 consistent with its filed rates and rules on seven policies, consisting of one CA, one
18 CPGL, and five GAR policies.

19 n. Hawkeye failed to send 49 notices of cancellation by certified mail,
20 consisting of 16 BOP, eight CPGL, 16 GAR, five GBOP, and four GL policies.

21 o. Hawkeye failed to send three nonrenewal notices by certified mail,
22 consisting of one BOP, one CPGL, and one GBOP policy.

23 p. Hawkeye failed to maintain reasonable records of the information
24 used to develop the premium of four policies, consisting of one GBOP and three BOP
25 policies.

- 1 q. Hawkeye misclassified the territory rates on six BOP policies.
- 2 r. Hawkeye misclassified the package modifier on eight CPGL
- 3 policies.
- 4 s. Hawkeye misclassified the protection class on three BOP policies.
- 5 t. Hawkeye failed to apply rates in a manner consistent with its filed
- 6 rates and rules on two CPCA policies.
- 7 u. Hawkeye failed to apply rating rules for exposures or coverages in
- 8 a manner consistent with its filed rates and rules on one BOP policy.

9 5. The Examiners reviewed 17 complaint files and found that Hawkeye

10 failed to respond to the Department of Insurance upon receipt of an inquiry regarding a

11 claim file within the requested time frame on three complaint files.

12 6. The Examiners reviewed 52 of 563 first party total loss automobile claims

13 paid during the time frame of the Examination and found that Hawkeye failed to pay

14 appropriate taxes and fees on six first party total losses.

15 7. The Examiners reviewed four of an unknown number of third party total

16 loss automobile claims paid by the Company during the time frame of the examination

17 and found that the Hawkeye failed to complete the investigation of four claims within 30

18 days.

19 8. Hawkeye underpaid seven claimants \$844.09 and overcharged 12

20 policyholders \$11,702.00.

21 **CONCLUSIONS OF LAW**

22 1. Hawkeye violated A.R.S. § 20-400.01(D) by failing to document the

23 schedule credit/debits used in the premium determination of policies, by failing to apply

24 documented credits, and by failing to maintain adequate records of the development of

25 policy premiums charged.

1 2. Hawkeye violated A.R.S. § 20-400.01(B)(2) by failing to include adequate
2 facts supporting schedule rating factors and changes to the schedule rating in the
3 premium determination of policies.

4 3. Hawkeye violated A.R.S. § 20-400.01(A) by issuing policies of insurance
5 with a premium developed in a manner which is not consistent with its filed rates and
6 rules.

7 4. Hawkeye violated A.R.S. §§ 20-385(A) and 20-400.01(A) by using its
8 schedule plan credits/debits other than as filed and using unfiled rates.

9 5. Hawkeye violated A.R.S. §§ 20-400.01(A) and 20-448(C) by not applying
10 the experience rating plan to eligible insureds, and by applying the experience plan to
11 insureds who were not eligible, thereby permitting unfair discrimination in favor of
12 particular persons or between insureds or subjects of insurance having substantially
13 like insuring, risk and exposure factors.

14 6. Hawkeye violated A.R.S. § 20-1673(B) by canceling a policy for a reason
15 that is not permitted by statute.

16 7. Hawkeye violated A.R.S. § 20-1674(A) by not mailing cancellation notices
17 by certified mail.

18 8. Hawkeye violated A.R.S. § 20-1676(B) by not sending nonrenewal
19 notices by certified mail

20 9. Hawkeye violated A.R.S. § 20-1677(A) by not sending the insured the
21 required notice of change or premium increase at least 60 days prior to expiration.

22 10. Hawkeye violated A.A.C. R20-6-801(E)(2) and A.R.S. § 20- 461(A)(2) by
23 not responding to the Department within the time frame requested.

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- 1 j. Applying experience rating on ineligible policies.
- 2 k. Failing to apply experience rating on eligible policies.
- 3 l. Failing to include documented losses in the experience
- 4 calculations.
- 5 m. Failing to include actual plan premiums in a manner consistent
- 6 with filed experience rules.
- 7 n. Failing to send cancellation notices by certified mail.
- 8 o. Failing to send nonrenewal notices by certified mail.
- 9 p. Failing to maintain reasonable records used to develop premiums.
- 10 q. Using misclassified territories in the development of rates on
- 11 automobile and liability policies.
- 12 r. Using misclassified package modifiers.
- 13 s. Using misclassified protection class on property policies.
- 14 t. Failing to apply rates in a manner consistent with its filed rates and
- 15 rules.
- 16 u. Failing to respond to the Department within the time frame
- 17 requested.
- 18 v. Failing to complete the investigation of a third-party claim within 30
- 19 days.
- 20 w. Failing to pay all applicable taxes and fees on first party total
- 21 losses.

22 2. Within 90 days of the filed date of this Order, Hawkeye shall submit
23 written action plans to the Arizona Department of Insurance, for approval, evidence
24 that corrections have been implemented and communicated to the appropriate
25 personnel, regarding the issues outlined in Paragraph 1 of the Order section of this

1 Consent Order. Evidence of corrective action and communication thereof includes, but
2 is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print
3 screens, and training materials.

4 3. Within 90 days of the filed date of this Order, Hawkeye shall reimburse
5 the 12 policyholders listed in Exhibit A of this Order \$11,702.00, plus interest at the rate
6 of ten percent per annum. Interest shall be calculated from the date that the premium
7 payment was made, until the date of the refund.

8 4. Within 90 days of the filed date of this Order, Hawkeye shall pay the
9 seven claimants listed in Exhibit B of this Order \$844.09, plus interest at the rate of ten
10 percent per annum. Interest shall be calculated from the date that the claim was paid
11 to the date of the additional payment.

12 5. Each payment made pursuant to paragraphs 3 and 4 above, shall include
13 a letter to the insured in a form previously approved by the Director. A list of payments,
14 giving the name and address of each party paid, the amount of interest paid, and the
15 date of payment, shall be provided to the Department within 90 days of the filed date of
16 this Order.

17 6. The Department shall be permitted, through authorized representatives,
18 to verify that Hawkeye has complied with all provisions of this Order.

19 7. Hawkeye shall pay a civil penalty of \$15,000.00 to the Director for
20 remission to the State Treasurer for deposit in the State General Fund in accordance
21 with A.R.S. §§ 20-220(B) and 20-456. The civil penalty shall be provided to the Market
22 Conduct Examination Section of the Department prior to the filing of this Order.

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EXHIBIT A

PREMIUM OVERCHARGES

Account Reference	Amount Due Insured
AO1, AO1a	\$393.00
AO2, AO2a	\$997.00
A11, A15, A16	\$323.00
A17, A18	\$447.00
B14, B15	\$490.00
B16, B17	\$1,314.00
CO1	\$81.00
GO1, GO2, GO3	\$799.00
HO2, HO3, HO4, HO5	\$519.00
IO1	\$227.00
RO4, RO6, RO7	\$4,509.00
ZO2, ZO3	\$1,603
Total	\$11,702.00

EXHIBIT B

CLAIM UNDERPAYMENTS

Account Reference	Amount Due Insured
TO1	\$646.82
EO1	\$10.15
LO2	\$4.01
MO1	\$3.03
MO2	\$3.81
SO2	\$9.27
WO1	\$167.00
Total	\$844.09

1 **CONSENT TO ORDER**

2 1. Hawkeye Security Insurance Company has reviewed the foregoing Order.

3 2. Hawkeye Security Insurance Company admits the jurisdiction of the
4 Director of Insurance, State of Arizona, admit the foregoing Findings of Fact, and
5 consent to the entry of the Conclusions of Law and Order.

6 3. Hawkeye Security Insurance Company is aware of the right to a hearing,
7 at which they may be represented by counsel, present evidence and cross-examine
8 witnesses. Hawkeye Security Insurance Company irrevocably waives the right to such
9 notice and hearing and to any court appeals related to this Order.

10 4. Hawkeye Security Insurance Company states that no promise of any kind
11 or nature whatsoever was made to them to induce them to enter into this Consent Order
12 and that they have entered into this Consent Order voluntarily.

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

18 6. Roger M. Singer, who holds the office of
19 Senior Vice President of Hawkeye Security Insurance Company, is authorized
20 to enter into this Order for them and on their behalf.

21
22 **HAWKEYE SECURITY INSURANCE COMPANY**

23
24 Jan. 22, 2002
Date

25 By Roger M. Singer

1 **COPY of the foregoing mailed/delivered**

2 This 31st day of January, 2002, to:

3
4 Sara Begley
5 Deputy Director
6 Mary Butterfield
7 Assistant Director
8 Consumer Affairs Division
9 Paul J. Hogan
10 Chief Market Conduct Examiner
11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
14 Steve Ferguson
15 Assistant Director
16 Financial Affairs Division
17 Nancy Howse
18 Chief Financial Examiner
19 Alexandra Shafer
20 Assistant Director
21 Life & Health Division
22 Terry L Cooper
23 Fraud Unit Chief

24
25 DEPARTMENT OF INSURANCE
2910 North 44th Street, Second Floor
Phoenix, AZ 85018

Meredith K. Mangan, Counsel
Hawkeye Security Insurance Company
C/O OneBeacon Corporation
One Beacon Street
Boston, MA 02108-3100

