

NOV 7 2002

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY CB

In the Matter of:)	Docket No. 02A-191-INS
CIVIL SERVICE EMPLOYEES INSURANCE COMPANY,)	CONSENT ORDER
NAIC # 10693,)	
Respondent.)	

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Civil Service Employees Insurance Company ("Civil Service"). In the Report of Examination of the Market Conduct Affairs of Civil Service, the Examiners allege that Civil Service violated A.R.S. §§20-461, 20-1632.01, A.A.C. R20-6-801 and Consent Order, Docket No. 00A-050-INS, dated March 30, 2000.

Civil Service 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. Civil Service 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 Civil Service. The on-site examination covered the time period from January 1, 2001 to December 31, 2001 and was concluded on June 28, 2002. Based on their findings, the Examiners prepared the "Report of Examination of the Market Conduct Affairs of Civil Service Employees Insurance Company" dated June 28, 2002.

1 3. The Department previously conducted a market conduct examination of
2 Civil Service. The on-site examination was concluded as of December 15, 1995. As a
3 result, a Consent Order, Docket No. 00A-050-INS, (the "2000 Order") was filed by the
4 Director on March 30, 2000. The 2000 Order stated in pertinent part as follows:

5 Respondents shall cease and desist from...failing to distribute to the first party
6 claimant a proportional share of the recoveries from third parties by subrogation
7 of the claims; failing to include all applicable taxes, license fees and other fees
incident to transfer of evidence of ownership of comparable automobiles.

8 4. The Examiners reviewed 50 of 366 personal automobile policy files
9 cancelled for non-payment of premium during the time frame of the examination and
10 found that the Company failed to include notice of the policyholder's right to complain
11 to the Director in 43 cancellation notices.

12 5. The Examiners reviewed 37 of 37 first party automobile total loss claim
13 files, 8 of 8 third party automobile total loss claim files and 39 of 39 subrogation claim
14 files processed by the Company during the time frame of the Examination and found as
15 follows:

16 a. Civil Service failed to pay the correct amount of taxes and other
17 fees on 12 claims.

18 b. Civil Service failed to treat the disposition of the third party
19 claimants' salvage as a separate and distinct transaction from the settlement of the
20 third party claimants' automobile total loss on 8 claims.

21 c. Civil Service failed to return a proportional share of funds to three
22 insureds where the Company recovered funds through subrogation.

23 6. Civil Service's failure to pay all taxes and fees to first and third party
24 automobile total loss claimants resulted in 12 claims being underpaid a total of
25 \$183.73. Civil Service's failure to return to insureds a proportional share of funds on

1 those claims where the Company was successful in subrogation resulted in three
2 insureds not being paid \$475.00. The Company has since paid these three insureds.

3 **CONCLUSIONS OF LAW**

4 1. Civil Service violated A.R.S. §20-1632.01(B) by failing to include notice of
5 the right to complain to the Director in its automobile cancellation notices.

6 2. Civil Service violated A.A.C. R20-6-801(H)(1)(b), A.R.S §20-461(A)(6)
7 and the 2000 Order by not paying all applicable taxes and fees on first party
8 automobile total losses.

9 3. Civil Service violated A.R.S §20-461(A)(6) and the 2000 Order by not
10 paying all applicable taxes and fees on third party automobile total losses.

11 4. Civil Service violated A.R.S. §20-461(A)(6) by failing to effect prompt and
12 fair settlement by not treating the disposition of the third party claimants' salvage as a
13 separate and distinct transaction from the settlement of the third party claimants'
14 automobile total loss.

15 5. Civil Service violated A.R.S. §20-461(A)(6), A.A.C. R20-6-801(H)(4) and
16 the 2000 Order by failing to return a proportional share to insureds where the Company
17 successfully subrogated the claim.

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

20 **ORDER**

21 **IT IS HEREBY ORDERED THAT:**

22 1. Civil Service shall cease and desist from:
23 a. Failing to include notice of the right to complain to the Director in
24 personal automobile policy cancellation notices.

25 b. Failing to pay all applicable taxes and fees on first and third party

1 automobile total losses.

2 c. Failing to treat the disposition of the third party claimants' salvage
3 as a separate and distinct transaction from the settlement of the third party claimants'
4 automobile total loss.

5 d. Failing to return to first party claimants a proportional share of
6 successfully subrogated claims.

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

14 3. Within 90 days of the filed date of this Order, Civil Service shall pay the
15 12 insureds listed in Exhibit A of this Order \$183.73, plus interest at the rate of ten
16 percent per annum. A letter previously approved by the Director shall accompany all
17 payments. A list of payments, giving the name and address of each party paid, the
18 amount of the payment, the amount of interest paid, and the date of payment, shall be
19 provided to the Department within 90 days of the filed date of this Order.

20 4. The Department shall be permitted, through authorized representatives,
21 to verify that Civil Service has complied with all provisions of this Order.

22 5. Civil Service shall pay a civil penalty of \$7,500.00 to the Director for
23 remission to the State Treasurer for deposit in the State General Fund in accordance
24 with A.R.S. §§ 20-220(B) and 20-456. The civil penalty shall be provided to the Market
25 Conduct Examination Section of the Department prior to the filing of this Order.

1 6. The Report of Examination of the Market Conduct Affairs of Civil Service
2 Employees Insurance Company as of June 28, 2002 shall be filed with the Department
3 upon the filing of this Order.

4 DATED at Phoenix, AZ this 7th day of November, 2002.

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7 Charles R. Cohen
8 Director of Insurance
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EXHIBIT A

FIRST AND THIRD PARTY AUTOMOBILE TOTAL LOSS SETTLEMENTS
FAILED TO INCLUDE ALL APPLICABLE TAXES AND OTHER FEES

<u>Claim Number</u>	<u>Taxes & Other Fees Due Insured</u>
325598	\$13.75
334638	\$32.37
334785	\$13.75
336024	\$13.75
336603	\$13.75
336980	\$13.75
332452	\$13.75
333536	\$13.84
333411	\$13.76
341572	\$13.76
332921	\$13.75
330061	\$13.75
Total	\$183.73

CONSENT TO ORDER

1
2 1. Civil Service Employees Insurance Company has reviewed the foregoing
3 Order.

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

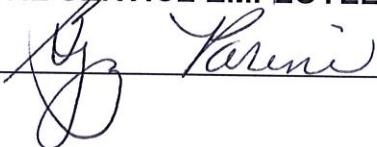
11 4. Civil Service Employees Insurance Company states that no promise of
12 any kind or nature whatsoever was made to it to induce it to enter into this Consent
13 Order and that it has entered into this Consent Order voluntarily.

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

19 6. Gregory Tarni, who holds the office of
20 Vice President of Civil Service Employees Insurance Company, is
21 authorized to enter into this Order for them and on their behalf.

CIVIL SERVICE EMPLOYEES INSURANCE COMPANY

22
23 10.30.02
Date

By 

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

2 This 7th day of November, 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 Alan Griffieth
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

Greg Parini, Vice President
Civil Service Employees Insurance Company
2121 North California Blvd.
Walnut Creek, CA 94596-3572

