

NOV 3 2004

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

In the Matter of:
AMERICAN RELIABLE INSURANCE COMPANY,
NAIC # 19615,
Respondent.

) Docket No. 04A-173-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of American Reliable Insurance Company ("ARIC"). In the Report of Examination of the Market Conduct Affairs of ARIC, the Examiners allege that ARIC violated A.R.S. §§20-385, 20-466.03, and 20-2110.

ARIC 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. ARIC is authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.

2. The Director authorized the Examiners to conduct a target market examination of ARIC. The examination covered the time period from January 1, 2002 to June 30, 2003 and was concluded on July 28, 2004. Based on their findings, the Examiners prepared the "Report of Target Market Examination of American Reliable Insurance Company" dated July 28, 2004.

3. The Examiners reviewed 100 of 15,009 mobile homeowner new business files issued during the time frame of the examination and found that ARIC failed to apply its filed rates and rules in the premium determination of nine files.

4. The Examiners reviewed 50 of 307 mobile homeowner cancellation and

1 non-renewal files, and 50 of 1,550 homeowner cancellation and non-renewal files
2 processed by the Company during the time frame of the examination and found that
3 ARIC failed to provide a Summary of Rights to 73 policyholders.

4 5. The Examiners reviewed all of the claim forms used by the Company
5 during the time frame of the examination and found as follows:

6 a. ARIC used six forms that failed to contain a fraud warning notice.

7 b. ARIC used six forms that failed to contain a fraud warning notice
8 that was printed in at least 12-point type.

9 **CONCLUSIONS OF LAW.**

10 1. ARIC is alleged to have violated A.R.S §20-385(A) by failing to apply its
11 filed rates and rules in the premium determination of mobile homeowner policies.

12 2. ARIC is alleged to have violated A.R.S §20-2110(A) by failing to provide
13 policyholders with a compliant Summary of Rights.

14 3. ARIC is alleged to have violated A.R.S §20-466.03 by using claim forms
15 that do not contain the required fraud warning notice in at least 12 point type.

16 4. Grounds exist for the entry of the following Order in accordance with
17 A.R.S. §§ 20-220 and 20-2117.

18 **ORDER**

19 **IT IS HEREBY ORDERED THAT:**

20 1. American Reliable Insurance Company shall cease and desist from:

21 a. Failing to use its filed rates and rules to determine premiums for its
22 mobile homeowners insurance policies.

23 b. Failing to provide a compliant Summary of Rights at cancellation or
24 non-renewal.

25 c. Using claim forms that fail to contain a compliant fraud warning

1 notice in at least 12-point type.

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

9 3. The Department shall be permitted, through authorized representatives,
10 to verify that ARIC has complied with all provisions of this Order.

11 4. ARIC shall pay a civil penalty of \$26,000.00 to the Director for remission
12 to the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
13 §§20-220(B) and 20-456. The civil penalty shall be provided to the Market Oversight
14 Division of the Department prior to the filing of this Order.

15 5. The Report of Target Market Examination of American Reliable Insurance
16 Company as of July 28, 2004, including the letter accepting the Report of Examination,
17 shall be filed with the Department upon the filing of this Order.

18
19 DATED at Phoenix, AZ this 3rd day of November, 2004.

20
21 
22 _____
23 Christina Urias
24 Director of Insurance
25

CONSENT TO ORDER

1
2 1. American Reliable Insurance Company has reviewed the foregoing
3 Order.

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

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

14 5. American Reliable 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. Valley M. Owens, who holds the office of
20 Vice President of American Reliable Insurance Company, is
21 authorized to enter into this Order for them and on their behalf.

22
23 10.29.04
24 Date

AMERICAN RELIABLE INSURANCE COMPANY
By Valley M. Owens

1 COPY of the foregoing mailed/delivered
2 this 3rd day of November, 2004, to:

- 3 Gerrie Marks
4 Deputy Director
5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
8 Paul J. Hogan
9 Market Oversight Administrator
10 Market Oversight Division
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 Schafer
20 Assistant Director
21 Life and Health Division
22 Terry L. Cooper
23 Fraud Unit Chief

24 DEPARTMENT OF INSURANCE
25 2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Cheryl Short, Regulatory Compliance Manager
American Reliable Insurance Company
8655 East Via De Ventura, Suite E200
Scottsdale, Arizona 85285

23 
24 Curvey Burton