

MAY 24 2007

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY CL

In the Matter of:)	Docket No. 07A-095-INS
)	
AMERICAN FAMILY MUTUAL INSURANCE COMPANY,)	
NAIC # 19275,)	
Respondent.)	CONSENT ORDER

Examiners for the Department of Insurance (the "Department") conducted a targeted examination of American Family Mutual Insurance Company ("AFMIC"). In the Report of Target Market Examination of the Market Conduct Affairs of AFMIC, the Examiners allege that AFMIC violated A.R.S. §20-1631.

AFMIC 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. AFMIC 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 AFMIC. The examination covered the time period from July 1, 2004 to December 31, 2005 and was concluded on January 2, 2007. Based on their findings, the Examiners prepared the "Report of Target Market Examination of American Family Mutual Insurance Company" dated December 31, 2005.

3. The Examiners reviewed 25 of 158 personal automobile policies non-renewed during the time frame of the examination and found that AFMIC non-renewed 9 policies with fewer than three at-fault accidents.

4. The Examiners found that the Company failed to require issuance and

1 delivery of policies eligible for transfer to an affiliated insurer with two at-fault accidents
2 within the preceding thirty-six months. The Examiners also found that the Company
3 had no procedures in place to comply with the issuance and delivery procedures
4 outlined in A.R.S. §20-1631(L). This finding applies to the 9 policies that were non-
5 renewed referenced in Finding of Fact # 3.

6 **CONCLUSIONS OF LAW.**

7 1. AFMIC violated A.R.S §20-1631(E) by non-renewing policies with fewer
8 than three at-fault accidents.

9 2. AFMIC violated A.R.S §20-1631(L) by failing to require issuance and
10 delivery of policies with two at-fault accidents eligible for transfer to an affiliated insurer.

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

13 **ORDER**

14 **IT IS HEREBY ORDERED THAT:**

15 1. American Family Mutual Insurance Company shall cease and desist from:
16 a. Non-renewing personal automobile policies with fewer than three
17 at-fault accidents.

18 b. Failing to provide insureds policies transferred to an affiliated
19 insurer at the occurrence of two at-fault accidents within the preceding thirty-six
20 months.

21 2. Within 90 days of the filed date of this Order, AFMIC shall submit to the
22 Arizona Department of Insurance, for approval, evidence that corrections have been
23 implemented and communicated to the appropriate personnel, regarding the issues
24 outlined in Paragraph 1 of the Order section of this Consent Order. Evidence of
25 corrective action and communication thereof includes, but is not limited to, memos,

1 bulletins, E-mails, correspondence, procedures manuals, print screens, and training
2 materials.

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

5 4. AFMIC shall pay a civil penalty of \$11,000.00 to the Director for remission
6 to the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
7 §20-220(B). The civil penalty shall be provided to the Market Oversight Division of the
8 Department prior to the filing of this Order.

9 5. The Report of Target Market Examination of American Family Mutual
10 Insurance Company as of December 31, 2005, including the letter accepting the Report
11 of Examination, shall be filed with the Department upon the filing of this Order.

12
13 DATED at Phoenix, AZ this 23rd day of May, 2007.

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16 _____
17 Christina Urias
18 Director of Insurance
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1 **CONSENT TO ORDER**

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

4 2. American Family Mutual 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 Family Mutual 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. American Family Mutual Insurance Company irrevocably waives
10 the right to such notice and hearing and to any court appeals related to this Order.

11 4. American Family Mutual 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. American Family Mutual 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. Scott J. Seymour, who holds the office of
20 Vice President - Gov. Affairs/Comp. of American Family Mutual Insurance Company, is
21 authorized to enter into this Order for them and on their behalf.

22 **AMERICAN FAMILY MUTUAL INSURANCE COMPANY**

23 5/16/07
24 Date

23 By Scott J. Seymour
24

1 COPY of the foregoing mailed/delivered
2 this 24th day of May , 2007, 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 Dean Ehler
12 Assistant Director
13 Property and Casualty 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

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