

JUN 7 2007

DEPT OF INSURANCE
BY 

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

SAFE AUTO INSURANCE COMPANY,
NAIC # 25405,
Respondent.

) Docket No. 07A-109-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a target market examination of Safe Auto Insurance Company ("SAIC"). In the Report of Target Market Examination of the Market Conduct Affairs of Safe Auto Insurance Company, the Examiners allege that Safe Auto Insurance Company violated A.R.S. §§20-461, 20-462, 20-466.03, 20-2110, and A.A.C. R20-6-801.

Safe Auto Insurance Company 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. Safe Auto Insurance Company 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 Safe Auto Insurance Company. The examination covered the time period from July 1, 2005 through June 30, 2006 and concluded on February 21, 2007. Based on the examination findings, the Examiners prepared the "Report of Target Market Examination of Safe Auto Insurance Company" dated June 30, 2006.

3. The Examiners reviewed 101 personal automobile cancellation files out of a population of 17,220 cancelled during the time frame of the examination and found that SAIC failed to send a Summary of Rights on 47 policies cancelled for underwriting

1 reasons.

2 4. The Examiners reviewed 10 claim forms used by the Company during the
3 time frame of the examination and found that SAIC used four forms that failed to
4 contain a fraud warning notice and six forms that failed to contain the fraud warning in
5 the required 12-pt. type.

6 5. The Examiners reviewed 106 personal automobile paid claims out of a
7 population of 454 automobile claims processed by the Company during the time frame
8 of the examination and found the Company failed to pay the correct taxes, license
9 registration and/or air quality fees on 19 first and third party total loss settlements.

10 6. SAIC has made restitution payments to all 19 first and third party
11 personal automobile claimants for the correct amount of taxes, license registration
12 and/or air quality fees, at the request of the Department, totaling \$2,312.03 in
13 restitution plus \$175.82 in interest.

14 7. SAIC completed a self-audit of the remaining 89 total loss claims settled
15 during the time frame of the examination and made additional restitution payments
16 totaling \$4,344.19 plus \$290.07 in interest.

17 **CONCLUSIONS OF LAW.**

18 1. SAIC violated A.R.S §20-2110 by failing to send policyholders a
19 Summary of Rights in the event of an adverse underwriting decision.

20 2. SAIC violated A.R.S §20-466.03 by using claim forms that failed to
21 include a compliant fraud warning notice.

22 3. SAIC violated A.R.S §§ 20-461(A)(6), 20-462(A) and A.A.C. R20-6-
23 801(H)(1)(b) by failing to pay the correct tax, license registration and/or air quality fees
24 on first and third party total loss settlements, plus any interest owed.

25 4. Grounds exist for the entry of the following Order in accordance with

1 A.R.S. §§20-220, 20-456 and 20-2117.
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4 **ORDER**

5 **IT IS HEREBY ORDERED THAT:**

6 1. Safe Auto Insurance Company shall cease and desist from:

7 a. Failing to provide insureds with a compliant Summary of Rights in the
8 event of an adverse underwriting decision.

9 b. Using claim forms that fail to contain a compliant fraud warning notice.

10 c. Failing to pay the correct tax, license registration and/or air quality
11 fees, plus any interest owed on total loss settlements.

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

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

21 4. SAIC shall pay a civil penalty of \$17,000.00 to the Director for remission
22 to the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
23 §20-220(B). The civil penalty shall be provided to the Market Oversight Division of the
24 Department prior to the filing of this Order.

25 5. The Report of Target Market Examination of Safe Auto Insurance

1 Company of June 30, 2006, including the letter with their objections to the Report of
2 Examination, shall be filed with the Department upon the filing of this Order.

3 DATED at Arizona this 7th day of June, 2007.
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6 Christina Urias
7 Director of Insurance
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CONSENT TO ORDER

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2 1. Safe Auto Insurance Company has reviewed the foregoing Order.

3 2. Safe Auto Insurance Company admits the jurisdiction of the Director of
4 Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the
5 entry of the Conclusions of Law and Order.

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

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

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

18 6. Mark D. LeMaster, who holds the office of
19 General Counsel of Safe Auto Insurance Company, is authorized to
20 enter into this Order for them and on their behalf.

21
22 **SAFE AUTO INSURANCE COMPANY**

23 5-31-07
24 Date

25 By M. LeMaster

1 COPY of the foregoing mailed/delivered
2 this 7th day of June, 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

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

Mark D. LeMaster, General Counsel and VP
Safe Auto Insurance Company
3883 East Broad Street
Columbus, Ohio 43213

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