

JUN 8 2007

DEPT OF INSURANCE  
BY CB

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:

**SAFeway INSURANCE COMPANY,**  
NAIC # 12521,  
Respondent.

) Docket No. 07A-112-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a targeted examination of Safeway Insurance Company ("SIC"). In the Report of Target Market Examination of the Market Conduct Affairs of SIC, the Examiners allege that SIC violated A.R.S. §§20-263 and 20-385.

SIC 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. SIC 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 SIC. The examination covered the time period from July 1, 2004 to December 31, 2005 and was concluded on December 13, 2006. Based on their findings, the Examiners prepared the "Report of Target Market Examination of Safeway Insurance Company" dated December 31, 2005.

3. The Examiners reviewed 25 of 1,077 personal automobile at-fault accident surcharged files issued during the time frame of the examination and found that SIC failed to apply its filed rates and rules in the premium determination of seven policies.

1 4. The Examiners reviewed 25 of 1,077 personal automobile at-fault  
2 accident surcharged files issued during the time frame of the examination and found  
3 that SIC failed to notify 11 insureds that an at-fault accident surcharge was the reason  
4 for a premium increase.

5 **CONCLUSIONS OF LAW.**

6 1. SIC violated A.R.S §20-385(A) by using unfiled rates and rules in the  
7 premium determination of personal automobile policies.

8 2. SIC violated A.R.S §20-263(A) by failing to notify personal automobile  
9 policyholders that an at-fault accident was the reason for a premium increase.

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

12 **ORDER**

13 **IT IS HEREBY ORDERED THAT:**

14 1. Safeway Insurance Company shall cease and desist from:

15 a. Failing to use its filed rates and rules to determine premiums for its  
16 personal automobile insurance policies.

17 b. Failing to provide insureds with at-fault accidents the reason for a  
18 premium increase.

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

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

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

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

DATED at Phoenix, AZ this 7<sup>th</sup> day of June, 2007.

  
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Christina Urias  
Director of Insurance

**CONSENT TO ORDER**

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2 1. Safeway Insurance Company has reviewed the foregoing Order.  
3 2. Safeway 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. Safeway 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 Safeway Insurance Company irrevocably waives the right to such notice and hearing  
9 and to any court appeals related to this Order.

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

13 5. Safeway 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. Robert M. Boussard, who holds the office of  
19 Chief Executive Officer of Safeway Insurance Company, is authorized to enter  
20 into this Order for them and on their behalf.

**SAFeway INSURANCE COMPANY**

21  
22 6-4-07  
23 Date

By [Signature]

1 COPY of the foregoing mailed/delivered  
2 this 8th day of June , 2007, to:

- 3 Gerrie Marks  
Deputy Director
- 4 Mary Butterfield  
Assistant Director  
Consumer Affairs Division
- 5 Paul J. Hogan  
Market Oversight Administrator  
Market Oversight Division
- 6 Dean Ehler  
Assistant Director  
Property and Casualty Division
- 7 Steve Ferguson  
Assistant Director  
Financial Affairs Division
- 8 Alan Griffieth  
Chief Financial Examiner
- 9 Alexandra Schafer  
Assistant Director  
Life and Health Division
- 10 Terry L. Cooper  
Fraud Unit Chief

15 DEPARTMENT OF INSURANCE  
16 2910 North 44th Street, Suite 210  
17 Phoenix, AZ 85018

18  
19 S. David Childers, Esq.  
20 Safeway Insurance Company  
21 C/O Low & Childers, P.C.  
22 2999 North 44<sup>th</sup> Street, Suite 250  
Phoenix, Arizona 85018

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