

JUN 28 2007

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

<p>1 In the Matter of:</p> <p>2</p> <p>3</p> <p>4 FINANCIAL INDEMNITY COMPANY,</p> <p>5 NAIC # 19852,</p> <p>6 Respondent.</p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>Docket No. 07A-122-INS</p> <p>CONSENT ORDER</p>
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7 Examiners for the Department of Insurance (the "Department") conducted a
8 targeted examination of Financial Indemnity Company ("FIC"). In the Report of Target
9 Market Examination of the Market Conduct Affairs of FIC, the Examiners allege that
10 FIC violated A.R.S. §20-263.

11 FIC wishes to resolve this matter without formal proceedings, admits that the
12 following Findings of Fact are true, and consents to the entry of the following
13 Conclusions of Law and Order.

14 **FINDINGS OF FACT**

15 1. FIC is authorized to transact property and casualty insurance pursuant to
16 a Certificate of Authority issued by the Director.

17 2. The Director authorized the Examiners to conduct a target market
18 examination of FIC. The examination covered the time period from July 1, 2004 to
19 December 31, 2005 and was concluded on March 21, 2007. Based on their findings,
20 the Examiners prepared the "Report of Target Market Examination of Financial
21 Indemnity Company" dated December 31, 2005.

22 3. The Examiners reviewed 25 of 498 personal automobile at-fault accident
23 surcharged policies issued during the time frame of the examination and found that FIC
24 failed to notify 25 insureds that an at-fault accident surcharge was the reason for a
25 premium increase and that FIC incorrectly increased the premium on four policies as a

1 result of accidents not caused or significantly contributed to by the insureds' actions.

2 4. After conclusion of the examination, FIC returned a total of \$2,305.98 to
3 the four insureds whose policies had been incorrectly charged for accidents not caused
4 or significantly contributed to by their actions.

5 **CONCLUSIONS OF LAW.**

6 1. FIC violated A.R.S §20-263(A) by failing to notify personal automobile
7 policyholders that an at-fault accident was the reason for a premium increase and by
8 incorrectly applying surcharges for accidents not caused or significantly contributed to
9 by the insureds' actions.

10 2. 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. Financial Indemnity Company shall cease and desist from:

15 a. Failing to provide insureds with at-fault accidents the reason for a
16 premium increase.

17 b. Incorrectly applying surcharges for accidents not caused or
18 significantly contributed to by the insureds' actions.

19 2. Within 90 days of the filed date of this Order, FIC 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.

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

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

7 5. The Report of Target Market Examination of Financial Indemnity
8 Company as of December 31, 2005, including the letter accepting the Report of
9 Examination, shall be filed with the Department upon the filing of this Order.

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11 DATED at Phoenix, AZ this 26th day of June, 2007.

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14 _____
15 Christina Urias
16 Director of Insurance
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CONSENT TO ORDER

1. Financial Indemnity Company has reviewed the foregoing Order.

2. Financial Indemnity Company admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

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

4. Financial Indemnity Company states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

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

6. John W. Mullen, who holds the office of President of Financial Indemnity Company, is authorized to enter into this Order for them and on their behalf.

06/19/07
Date

FINANCIAL INDEMNITY COMPANY
By 

AZ DEPT. INSURANCE

JUN 26 2007

MARKET OVERSIGHT DIV.

1 COPY of the foregoing mailed/delivered
2 this 28th 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

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