

JUL 13 2007

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

In the Matter of:

) Docket No. 07A-132-INS

AIG NATIONAL INSURANCE COMPANY, INC.

)
) **CONSENT ORDER**

NAIC # 36587,

Respondent.

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

AIGNIC 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. AIGNIC 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 AIGNIC. The examination covered the time period from July 1, 2004 to December 31, 2005 and was concluded on February 9, 2007. Based on their findings, the Examiners prepared the "Report of Target Market Examination of AIG National Insurance Company, Inc." dated December 31, 2005.

3. The Examiners reviewed 25 of 926 personal automobile at-fault accident surcharged policies issued during the time frame of the examination and found that AIGNIC failed to notify 25 insureds that an at-fault accident surcharge was the reason for a premium increase and that AIGNIC incorrectly increased the premium on eight

1 renewal policies as a result of accidents not caused or significantly contributed to by
2 the insureds' actions.

3 4. During the course of the examination, AIGNIC returned a total of
4 \$2,154.40 on all policies that renewed and had been incorrectly charged for accidents
5 not caused or significantly contributed to by their actions.

6 **CONCLUSIONS OF LAW.**

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

11 2. 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. AIG National Insurance Company, Inc. shall cease and desist from:

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

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

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

1 materials.

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

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

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

11
12 DATED at Phoenix, AZ this 12th day of July, 2007.

13
14 
15 _____
16 Christina Urias
17 Director of Insurance
18
19
20
21
22
23
24
25

1 **CONSENT TO ORDER**

2 1. AIG National Insurance Company, Inc. has reviewed the foregoing Order.

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

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

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

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

18 6. Anthony P. Pavia, who holds the office of President of AIG National
19 Insurance Company, Inc., is authorized to enter into this Order for them and on their
20 behalf.

21 **AIG NATIONAL INSURANCE COMPANY, INC.**

22 7/10/07
Date

By _____



1 COPY of the foregoing mailed/delivered
2 this 13th day of July, 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

J. Michael Low, Esq.
AIG National Insurance Company
C/O Low & Childers, P.C.
2999 North 44th Street, Suite 250
Phoenix, Arizona 85018

23 
24 _____
25