

FEB 22 2008

DEPT OF INSURANCE  
BY CS

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of:	)	Docket No. 08A-021-INS
<b>AMCO INSURANCE COMPANY,</b>	)	
NAIC # 19100,	)	<b>CONSENT ORDER</b>
Respondent.	)	

Examiners for the Department of Insurance (the "Department") conducted a target market examination of AMCO Insurance Company ("AMCO"). In the Report of Target Market Examination of the Market Conduct Affairs of AMCO Insurance Company, the examiners allege that AMCO Insurance Company violated ARS §§20-385, 20-461, 20-466.03, 20-2110, and AAC R20-6-801.

AMCO 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. AMCO 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 AMCO Insurance Company. The examination covered the time period from January 1, 2006 through December 31, 2006 and concluded on September 14, 2007. Based on their findings, the examiners prepared the "Report of Target Market Examination of AMCO Insurance Company" dated December 31, 2006.

3. The examiners reviewed 102 personal automobile new business/renewal policies out of a population of 9,071 and 52 personal automobile surcharged policies out of a population of 2,852 rated during the time frame of the examination and found

1 that AMCO failed to file its amended Whole Dollar Premium Rule on its PPA Program  
2 with the Department.

3 4. The examiners reviewed 56 of 1,911 private passenger automobile  
4 cancellations, 24 of 24 private passenger automobile non-renewals, 56 of 2,738  
5 homeowner cancellations and 49 of 49 homeowner non-renewals processed by the  
6 Company during the time frame of the examination. The examiners found that AMCO  
7 failed to provide 77 insureds with a Summary of Rights, in the event of an adverse  
8 underwriting decision, when sending cancellations and/or non-renewal notices.

9 5. The examiners reviewed 31 claim forms used by the Company during the  
10 time frame of the examination and found that AMCO used one form that failed to  
11 contain a fraud warning notice and eight forms that failed to contain the fraud warning  
12 in the required 12-pt. type.

13 6. The examiners reviewed 52 private passenger automobile claims closed  
14 without payment out of a population of 300 processed by the Company during the time  
15 frame of the examination. The examiners found the Company failed to send written  
16 closure/denial letters on eight private passenger automobile claims closed without  
17 payment.

18 7. The examiners reviewed eleven of eleven private passenger automobile  
19 and homeowner consumer complaint files, 52 of 300 private passenger automobile  
20 claim files and 52 of 122 homeowner claim files processed by the Company during the  
21 time frame of the examination. The examiners found that AMCO failed to identify the  
22 correct insuring company on 9 documents, including correspondence, sent to insureds.

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1 **CONCLUSIONS OF LAW**

2 1. AMCO violated ARS §20-385 by failing to file its amended Whole Dollar  
3 Premium Rule on its PPA Program with the Department.

4 2. AMCO violated ARS §20-2110 by failing to send policyholders a  
5 Summary of Rights in the event of an adverse underwriting decision.

6 3. AMCO violated ARS §20-466.03 by using claim forms that failed to  
7 include a compliant fraud warning notice.

8 4. AMCO violated AAC R20-6-801(G)(1)(a) by failing to send written  
9 closure/denial letters on claims closed without payment.

10 5. AMCO violated ARS §20-461(A)(1) by failing to identify the correct  
11 insuring company on documents and correspondence sent to insureds.

12 6. Grounds exist for the entry of the following Order in accordance with ARS  
13 §§20-220, 20-456 and 20-2117.

14 **ORDER**

15 **IT IS HEREBY ORDERED THAT:**

- 16 1. AMCO Insurance Company shall cease and desist from:
- 17 a. Failing to file all personal auto rates, changes, and amendments to  
18 those rates with the Department within thirty days after they become effective.
- 19 b. Failing to provide insureds with a compliant Summary of Rights in the  
20 event of an adverse underwriting decision.
- 21 c. Using claim forms that fail to contain a compliant fraud warning notice.
- 22 d. Failing to send written closure/denial letters on claims closed without  
23 payment.
- 24 e. Failing to identify the correct insuring company on documents and  
25 correspondence to insureds.

1           2.     Within 90 days of the filed date of this Order, AMCO Insurance Company  
2 shall submit to the Arizona Department of Insurance, for approval, evidence that AMCO  
3 implemented corrections and communicated these corrections to the appropriate  
4 personnel, regarding the issues outlined in Paragraph 1 of the Order section of this  
5 Consent Order. Evidence of corrective action and communication thereof includes, but  
6 is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print  
7 screens, and training materials.

8           3.     The Department shall through authorized representatives, verify that  
9 AMCO has complied with all provisions of this Order.

10          4.     AMCO shall pay a civil penalty of \$20,000.00 to the Director for remission  
11 to the State Treasurer for deposit in the State General Fund in accordance with ARS  
12 §20-220(B). AMCO shall submit the civil penalty to the Market Oversight Division of  
13 the Department prior to the filing of this Order.

14          5.     The Report of Target Market Examination of AMCO Insurance Company  
15 of December 31, 2006, including the letter with their objections to the Report of  
16 Examination, shall be filed with the Department upon the filing of this Order.

17 DATED this 15<sup>th</sup> day of February, 2008.

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20 \_\_\_\_\_  
21 Christina Urias  
22 Director of Insurance  
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**CONSENT TO ORDER**

1  
2       1.     AMCO Insurance Company has reviewed the foregoing Order.

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

10       4.     AMCO 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.     AMCO 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.

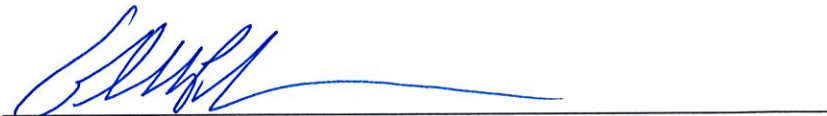
18       6.     Wendell P. Crosser, who holds the office of  
19 Vice President & Treasurer of AMCO Insurance Company, is authorized to enter  
20 into this Order for them and on their behalf.

**AMCO INSURANCE COMPANY**

21  
22  
23     2-1-2008

Date

By



1 COPY of the foregoing mailed/delivered  
2 this 22<sup>nd</sup> day of February, 2008, to:

3 Gerrie Marks

Deputy Director

4 Mary Butterfield

Assistant Director

5 Consumer Affairs Division

6 Paul J. Hogan

Market Oversight Administrator

7 Market Oversight Division

8 Dean Ehler

Assistant Director

9 Property and Casualty Division

10 Steve Ferguson

Assistant Director

11 Financial Affairs Division

12 David Lee

Chief Financial Examiner

13 Alexandra Schafer

Assistant Director

14 Life and Health Division

15 Terry L. Cooper

Fraud Unit Chief

16 DEPARTMENT OF INSURANCE

2910 North 44th Street, Suite 210

17 Phoenix, AZ 85018

18  
19 Cheryl L. Davis

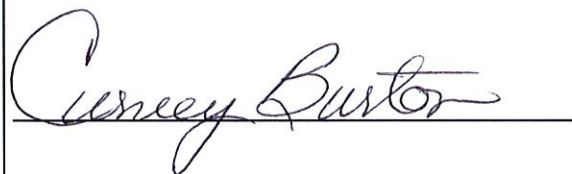
Market Conduct Director

20 AMCO Insurance Company

21 One Nationwide Plaza

Mail Code 1-35-18

22 Columbus, Ohio 43213

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25 \_\_\_\_\_