

SEP 16 2008

DEPT OF INSURANCE
BY CR

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

AUTO-OWNERS INSURANCE COMPANY,
NAIC # 18988,
Respondent.

) Docket No. 08A-150-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a targeted examination of Auto-Owners Insurance Company ("AOIC"). In the Report of Target Market Examination of the Market Conduct Affairs of AOIC, the examiners allege that AOIC violated ARS §20-461 and AAC R20-6-801.

AOIC 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. AOIC 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 AOIC. The examination covered the time period from July 1, 2006 to June 30, 2007 and concluded on April 16, 2008. Based on their findings, the examiners prepared the "Report of Target Market Examination of Auto-Owners Insurance Company" dated June 30, 2007.

3. The examiners reviewed 84 of 156 homeowner claims and 125 of 1,029 commercial lines claims paid by the Company during the time frame of the examination and found that AOIC failed to complete a timely investigation on 14 claims.

4. The examiners reviewed 84 of 156 homeowner claims and 125 of 1,029

1 commercial lines claims paid by the Company during the time frame of the examination
2 and found that AOIC failed to maintain claim files that contain all notes and work
3 papers pertaining to each claim in such detail that pertinent events and the dates of
4 such events could be reconstructed on 21 claims.

5 **CONCLUSIONS OF LAW**

6 1. AOIC violated ARS §20-461(A)(3) and AAC R20-6-801(F) by failing to
7 complete investigation of a claim within 30 days after notification of a claim.

8 2. AOIC violated AAC R20-6-801(C) by failing to maintain claim files that
9 contain all notes and work papers pertaining to each claim in such detail that pertinent
10 events and the dates of such events could be reconstructed.

11 3. Grounds exist for the entry of the following Order in accordance with ARS
12 §§20-220 and 20-456.

13 **ORDER**

14 **IT IS HEREBY ORDERED THAT:**

15 1. Auto-Owners Insurance Company shall cease and desist from:

16 a. Failing to complete investigation of claims within 30 days after
17 notification of a claim, unless such investigation cannot reasonably be completed within
18 such time.

19 b. Failing to maintain claim files that contain all notes and work
20 papers pertaining to the claim in such detail that pertinent events and the dates of such
21 events can be reconstructed.

22 2. Within 90 days of the filed date of this Order, AOIC shall submit to the
23 Arizona Department of Insurance, for approval, evidence that AOIC implemented
24 corrections and communicated these corrections to the appropriate personnel,
25 regarding the issues outlined in Paragraph 1 of the Order section of this Consent

1 Order. Evidence of corrective action and communication thereof includes, but is not
2 limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print
3 screens, and training materials.

4 3. The Department shall, through authorized representatives, to verify that
5 AOIC has complied with all provisions of this Order.

6 4. AOIC shall pay a civil penalty of \$4,980.00 to the Director for remission to
7 the State Treasurer for deposit in the State General Fund in accordance with ARS §20-
8 220(B). AOIC shall submit the civil penalty to the Market Oversight Division of the
9 Department prior to the filing of this Order.

10 5. The Report of Target Market Examination of Auto-Owners Insurance
11 Company as of June 30, 2007, including the letter accepting the Report of
12 Examination, shall be filed with the Department upon the filing of this Order.

13 DATED this 10th day of September, 2008.

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16 Christina Urias
17 Director of Insurance

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1 **CONSENT TO ORDER**

2 1. Auto-Owners Insurance Company has reviewed the foregoing Order.

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

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

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

18 6. WILLIAM F. WOODBURY, who holds the office of
19 VICE PRESIDENT & ASSOCIATE of Auto-Owners Insurance Company, is authorized to
20 GENERAL COUNSEL
enter into this Order for them and on their behalf.

21 **AUTO-OWNERS INSURANCE COMPANY**

22
23 8-14-08

24 Date

25 By



1 COPY of the foregoing mailed/delivered
2 this 16th day of September , 2008, to:

3 Gerrie Marks
4 Deputy Director
5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
8 Helene I. Tomme
9 Market Examinations Supervisor
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 David Lee
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
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