

MAR 19 2010

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

In the Matter of:)
)
 CIVIL SERVICE EMPLOYEES INSURANCE)
)
 COMPANY,)
)
 NAIC # 10693,)
)
 Respondent.

Docket No. 10A-047-INS

CONSENT ORDER

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Civil Service Employees Insurance Company ("Civil Service"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Civil Service Employees Insurance Company, the examiners allege that Civil Service, violated A.R.S. §§20-263, 20-461, 20-466.03, 20-1632, 20-1632.01, 20-2106, 20-2110 and A.A.C. R20-6-801.

Civil Service Employees 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. Civil Service 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 conduct examination of Civil Service Employees Insurance Company. The examination covered the time period from January 1, 2008 through December 31, 2008 and concluded on December 10, 2009. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Civil Service Employees Insurance Company" dated December 31, 2008.

3. Following a market conduct examination of Civil Service Employees

1 Insurance Company as of June 28, 2002, the Director entered a Consent Order,
2 Docket No. 02A-191-INS, which was filed on November 7, 2002 (the "2002 Order"). In
3 pertinent part, the 2002 Order stated as follows:

4 Civil Service shall cease and desist from:

5 a. Failing to include notice of the right to complain to the Director in
6 personal automobile policy cancellation notices.

7 b. Failing to pay all applicable taxes and fees on first and third party
8 automobile total losses.

9 d. Failing to return to first party claimants a proportional share of
10 successfully subrogated claims.

11 4. The examiners reviewed 54 of 205 private passenger automobile policies
12 surcharged for an at-fault accident during the time frame of the examination and found
13 that Civil Service failed to inform 11 insureds that an at-fault accident was the reason
14 for their premium increase.

15 5. The examiners reviewed 4 private passenger automobile non-renewals, 2
16 homeowner cancellations and 2 homeowner non-renewals, all cancelled or non-
17 renewed for underwriting reasons during the time frame of the examination and found
18 that Civil Service failed to provide a compliant Summary of Rights to all 8 insureds.

19 6. The examiners reviewed 50 of 50 personal automobile non-payment
20 cancellations and 4 of 4 personal automobile non-renewals processed during the time
21 frame of the examination and found that Civil Service failed to include notice of the
22 insureds right to complain to the Director on all 54 notices.

23 7. The examiners reviewed 50 homeowners paid claims from a population
24 of 50 settled during the time frame of the examination and found that Civil Service
25 failed to conduct a timely investigation on 4 homeowner claims.

1 8. The examiners found that the Company incorrectly cited the California
2 Department of Insurance or California statutes, instead of Arizona, in claims
3 correspondence to 19 claimants during the time frame of the examination.

4 9. The examiners found 4 claim authorization disclosure forms used during
5 the time frame of the examination that failed to specify that the authorization remains
6 valid for no longer than the duration of the claim and failed to advise the individual or a
7 person authorized to act on behalf of the individual that they are entitled to receive a
8 copy of the authorization form. One of these forms also failed to specify the types of
9 persons authorized to disclose information about the individual. (see Exhibit A)

10 10. The examiners found 2 claim forms (see Exhibit B) used by the Company
11 during the time frame of the examination that failed to contain a compliant fraud
12 warning notice.

13 11. The examiners reviewed 19 of 19 private passenger automobile total loss
14 claim files processed by the Company during the time frame of the examination and
15 found that Civil Service failed to correctly calculate and fully pay sales tax, title,
16 registration, air quality and other fees payable in the settlement of 10 total losses,
17 involving first and third party claimants.

18 12. The examiners reviewed 39 of 39 private passenger automobile
19 subrogation claim files processed by the Company during the time frame of the
20 examination and found that Civil Service failed reimburse 2 insureds their deductible on
21 a timely basis after subrogation recovery.

22 13. Civil Service has made restitution payments to all first and third party
23 personal automobile total loss claimants for the correct amount of taxes and fees, at
24 the request of the Department, totaling \$350.65 in restitution plus \$44.43 in interest.

25

1 **CONCLUSIONS OF LAW**

2 1. Civil Service violated A.R.S. §20-263 by failing to inform insureds whose
3 premium increase was due to an at-fault chargeable accident, that an at-fault accident
4 was the reason for their premium increase.

5 2. Civil Service violated A.R.S. §20-2110 by failing to provide insureds with
6 a compliant Summary of Rights in the event of an adverse underwriting decision.

7 3. Civil Service violated A.R.S. §§20-1632(A)(1) and 20-1632.01(B) by using
8 Notices of Cancellation that failed to include notice of the insured's right to complain to
9 the Director within 10 days of receipt of the cancellation or non-renewal.

10 4. Civil Service violated A.R.S. §20-461(A)(3) and A.A.C. R20-6-801(F) by
11 failing to conduct timely claims investigations.

12 5. Civil Service violated A.R.S. §20-461(A)(1) by failing to identify the
13 correct state and/or state statutes on claims correspondence.

14 6. Civil Service violated A.R.S. §20-2106(3),(8)(b) and (9) by using
15 authorization forms that failed to contain a compliant *Authorization for the Release of*
16 *Information*.

17 7. Civil Service violated A.R.S. §20-466.03 by using claim forms that failed
18 to contain a compliant fraud warning notice.

19 8. Civil Service violated A.R.S §20-461(A)(6) and A.A.C. R20-6-801(H)(1)(b)
20 by failing to correctly calculate and fully pay sales tax, title registration, air quality and
21 other fees payable in the settlement of total losses.

22 9. Civil Service violated A.R.S §20-461(A)(6) and A.A.C. R20-6-801(H)(4)
23 by failing to reimburse the insureds deductible on a timely basis after subrogation
24 recovery.

25 10. Grounds exist for the entry of the following Order in accordance with

1 A.R.S. §§20-220, 20-456 and 20-2117.

2 **ORDER**

3 **IT IS HEREBY ORDERED THAT:**

4 1. Civil Service Employees Insurance Company shall:

5 a. inform insureds of the reason for their premium increase if due to an
6 at-fault chargeable accident.

7 b. provide insureds with a compliant Summary of Rights in the event of
8 an adverse underwriting decision.

9 c. use Notices of Cancellation that include notice of the insureds right to
10 complain to the Director.

11 d. conduct a timely investigation of all claims.

12 e. identify the correct state and/or state statutes on all claims
13 correspondence.

14 f. use authorization disclosure forms that contain a compliant
15 *Authorization for the Release of Information*.

16 g. use claim forms that contain a compliant fraud warning notice.

17 h. correctly calculate and fully pay sales tax, title, registration, air quality
18 and other fees payable in the settlement of first and third party total losses.

19 i. reimburse the insureds deductible on a timely basis after subrogation
20 recovery.

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

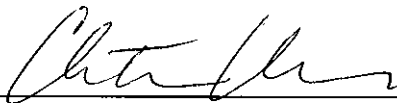
1 communication thereof includes, but is not limited to, memos, bulletins, E-mails,
2 correspondence, procedures manuals, print screens, and training materials.

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

5 4. Civil Service shall pay a civil penalty of \$57,000.00 to the Director for
6 remission to the State Treasurer for deposit in the State General Fund in accordance
7 with A.R.S. §20-220(B). Civil Service shall submit the civil penalty to the Market
8 Oversight Division of the Department prior to the filing of this Order.

9 5. The Report of Target Market Examination of Civil Service Employees
10 Insurance Company of December 31, 2008, including the letter with their objections to
11 the Report of Examination, shall be filed with the Department upon the filing of this
12 Order.

13 DATED at Arizona this 17th day of March, 2010.

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16 
17 _____
18 Christina Urias
19 Director of Insurance
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1 **CONSENT TO ORDER**

2 1. Civil Service Employees Insurance Company has reviewed the foregoing
3 Order.

4 2. Civil Service Employees Insurance Company admits the jurisdiction of
5 the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and
6 consents to the entry of the Conclusions of Law and Order.

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


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

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

19 6. Gregory Parini, who holds the office of
20 Vice President of Civil Service Employees Insurance Company, is
21 authorized to enter into this Order for them and on their behalf.

22 **CIVIL SERVICE EMPLOYEES INSURANCE COMPANY**

23
24 3/5/2010
25 Date

By 

1 COPY of the foregoing mailed/delivered
2 this 19th day of March, 2010, 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 Shafer
20 Assistant Director
21 Life and Health Division
22 Chuck Gregory
23 Special Agent Supervisor
24 Investigations Division

25 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Gregory Parini, Vice President, External Relations
CSE Insurance Group
Civil Service Employees Insurance Company
2121 North California Blvd., # 989
Walnut Creek, CA 94596

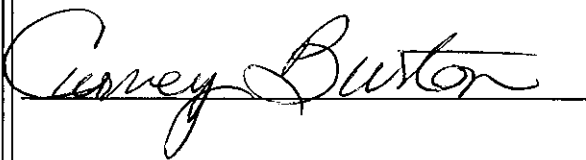


EXHIBIT A

Authorization Disclosure

These forms fail to comply with A.R.S. § 20-2106(3),(8)(b) and (9).

The following table summarizes these authorization form findings.

Form Description / Title	Form #	Statute Provision
Authorization to Obtain Information	Authorization to Obtain AZ 9-2005	8(b) and 9
Medical Authorization Form	Medauth ico AZ (9-2005)	8(b) and 9
Wage Authorization Form	Wage Auth ICO AZ (9-2005)	3, 8(b) and 9
Authorization for the Release of Medical, Employment, Social Security, Scholastic and Insurance Records	Authorization 2003 HIPPA	8(b) and 9

EXHIBIT B

Fraud Warning Statement – The Company failed to include the required fraud warning statement on 2 claim forms in violation of A.R.S. § 20-466.03 and the prior Consent Order.

The following table summarizes the fraud warning statement findings:

	Specimen Form / Letter Description	Date	Form / Letter #
1	Affidavit of Vehicle Theft	None	AZ 9-2005
2	Authorization for the Release of Medical, Employment, Social Security, Scholastic & Insurance Records (HO)	None	Authorization 2003 HIPPA