

MAR 19 2010

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY *CB*

In the Matter of:)
CSE SAFEGUARD INSURANCE COMPANY,)
NAIC # 18953,)
Respondent.)

Docket No. 10A-048-INS

CONSENT ORDER

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of CSE Safeguard Insurance Company ("CSE Safeguard"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of CSE Safeguard Insurance Company, the examiners allege that CSE Safeguard, violated A.R.S. §§20-263, 20-442, 20-461, 20-466.03, 20-1632, 20-1632.01, 20-2106, 20-2110 and A.A.C. R20-6-801.

CSE Safeguard 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. CSE Safeguard 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 conduct examination of CSE Safeguard 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 CSE Safeguard Insurance Company" dated December 31, 2008.

3. Following a market conduct examination of CSE Safeguard Insurance

1 Company as of June 28, 2002, the Director entered a Consent Order, Docket No. 02A-
2 190-INS, which was filed on November 7, 2002 (the "2002 Order"). In pertinent part,
3 the 2002 Order stated as follows:

4 CSE 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 4. The examiners reviewed 58 of 161 private passenger automobile policies
10 surcharged for an at-fault accident during the time frame of the examination and found
11 that CSE Safeguard failed to inform 26 insureds that an at-fault accident was the
12 reason for their premium increase.

13 5. The examiners reviewed 3 private passenger automobile non-renewals, 7
14 homeowner cancellations and 3 homeowner non-renewals, all cancelled or non-
15 renewed for underwriting reasons during the time frame of the examination and found
16 that CSE Safeguard failed to provide a compliant Summary of Rights to all 13 insureds.

17 6. The examiners reviewed 52 of 63 personal automobile non-payment
18 cancellations and 3 of 3 personal automobile non-renewals processed during the time
19 frame of the examination and found that CSE Safeguard failed to include notice of the
20 insureds right to complain to the Director on all 55 notices.

21 7. The examiners found 3 underwriting correspondence letters issued during
22 the time frame of the examination in which CSE Safeguard failed to identify the correct
23 insuring company.

24 8. The examiners reviewed 52 homeowners paid claims from a population
25 of 61 settled during the time frame of the examination and found that CSE Safeguard

1 failed to conduct a timely investigation on 7 homeowner claims.

2 9. The examiners found that the Company failed to accurately identify itself
3 in claims correspondence to 68 claimants and incorrectly cited the California
4 Department of Insurance or California statutes, instead of Arizona, in claims
5 correspondence to 4 claimants during the time frame of the examination.

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

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

15 12. The examiners reviewed 22 of 22 private passenger automobile total loss
16 claim files processed by the Company during the time frame of the examination and
17 found that CSE Safeguard failed to correctly calculate and fully pay sales tax, title,
18 registration, air quality and other fees payable in the settlement of 5 total losses,
19 involving first and third party claimants.

20 13. CSE Safeguard has made restitution payments to all first and third party
21 personal automobile total loss claimants for the correct amount of taxes and fees, at
22 the request of the Department, totaling \$126.42 in restitution plus \$72.39 in interest.

23 **CONCLUSIONS OF LAW**

24 1. CSE Safeguard violated A.R.S. §20-263 by failing to inform insureds
25 whose premium increase was due to an at-fault chargeable accident, that an at-fault

1 accident was the reason for their premium increase.

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

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

7 4. CSE Safeguard violated A.R.S. §20-442 by failing to identify the correct
8 insurance company name on three underwriting correspondence letters.

9 5. CSE Safeguard violated A.R.S. §20-461(A)(3) and A.A.C. R20-6-801(F)
10 by failing to conduct timely claims investigations.

11 6. CSE Safeguard violated A.R.S. §20-461(A) by failing to identify the
12 correct state and/or state statutes on claims correspondence.

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

16 8. CSE Safeguard violated A.R.S. §20-466.03 by using claim forms that
17 failed to contain a compliant fraud warning notice.

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

21 10. Grounds exist for the entry of the following Order in accordance with
22 A.R.S. §§20-220, 20-456 and 20-2117.

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1 ORDER

2 **IT IS HEREBY ORDERED THAT:**

- 3 1. CSE Safeguard Insurance Company shall:
- 4 a. inform insureds of the reason for their premium increase if due to an
- 5 at-fault chargeable accident.
- 6 b. provide insureds with a compliant Summary of Rights in the event of
- 7 an adverse underwriting decision.
- 8 c. use Notices of Cancellation that include notice of the insureds right to
- 9 complain to the Director.
- 10 d. identify the correct insuring company on all underwriting
- 11 correspondence
- 12 e. conduct a timely investigation of all claims.
- 13 f. identify the correct insuring company, state and/or state statutes on all
- 14 claims correspondence.
- 15 g. use authorization disclosure forms that contain a compliant
- 16 *Authorization for the Release of Information.*
- 17 h. use claim forms that contain a compliant fraud warning notice.
- 18 i. correctly calculate and fully pay sales tax, title, registration, air quality
- 19 and other fees payable in the settlement of first and third party total losses.

20 2. Within 90 days of the filed date of this Order, CSE Safeguard Insurance

21 Company shall submit to the Arizona Department of Insurance, for approval, evidence

22 that CSE Safeguard implemented corrections and communicated these corrections to

23 the appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order

24 section of this Consent Order. Evidence of corrective action and communication

25 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,

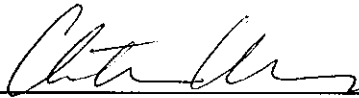
1 procedures manuals, print screens, and training materials.

2 3. The Department shall, through authorized representatives, verify that
3 CSE Safeguard has complied with all provisions of this Order.

4 4. CSE Safeguard shall pay a civil penalty of \$55,000.00 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). CSE Safeguard shall submit the civil penalty to the Market
7 Oversight Division of the Department prior to the filing of this Order.

8 5. The Report of Target Market Examination of CSE Safeguard Insurance
9 Company of December 31, 2008, including the letter with their objections to the Report
10 of Examination, shall be filed with the Department upon the filing of this Order.

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

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15 Christina Urias
16 Director of Insurance
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1 **CONSENT TO ORDER**

2 1. CSE Safeguard Insurance Company has reviewed the foregoing Order.

3 2. CSE Safeguard Insurance Company 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. CSE Safeguard 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. CSE Safeguard Insurance Company irrevocably waives the right to such
9 notice and hearing and to any court appeals related to this Order.

10 4. CSE Safeguard 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. CSE Safeguard Insurance Company acknowledges that the acceptance
14 of 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. Gregory Parini, who holds the office of
19 Vice President of CSE Safeguard Insurance Company, is authorized
20 to enter into this Order for them and on their behalf.

21
22 **CSE SAFEGUARD INSURANCE COMPANY**

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24
25 3/5/2010
Date

By Gregory Parini

1 COPY of the foregoing mailed/delivered
this 19th day of March, 2010, to:

2
3 Gerrie Marks
Deputy Director
4 Mary Butterfield
Assistant Director
5 Consumer Affairs Division
6 Helene I. Tomme
Market Examinations Supervisor
7 Market Oversight Division
Dean Ehler
8 Assistant Director
Property and Casualty Division
9 Steve Ferguson
Assistant Director
10 Financial Affairs Division
David Lee
11 Chief Financial Examiner
Alexandra Shafer
12 Assistant Director
Life and Health Division
13 Chuck Gregory
14 Special Agent Supervisor
Investigations Division
15

16 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
17 Phoenix, AZ 85018
18
19

20 Gregory Parini, Vice President, External Relations
21 CSE Insurance Group
CSE Safeguard Insurance Company
22 2121 North California Blvd., # 989
Walnut Creek, CA 94596
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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