

MAY 25 2010

DEPT OF INSURANCE
BY *CB*

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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In the Matter of:)
TRUCK INSURANCE EXCHANGE)
(NAIC NO. 21709))
Respondent.)

No. 10A-070-INS

CONSENT ORDER

The State of Arizona Department of Insurance ("Department") has received evidence that **Truck Insurance Exchange** violated provisions of Title 20, Arizona Revised Statutes. Respondent wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Truck Insurance Exchange ("Respondent"), is a reciprocal insurance exchange domiciled in California. Respondent presently holds an Arizona certificate of authority to transact workers' compensation insurance.
2. Every insurer writing workers' compensation insurance in Arizona must be a member of a rating organization. A.R.S. §20-363(D). Respondent is a member of the National Council on Compensation Insurance ("NCCI"), a licensed rating organization in Arizona. The NCCI files with the Director, on behalf of Respondent and its other member insurers a workers' compensation rating system the insurers use to determine workers' compensation premiums. Insurers must adhere to the rating organization's filed rating system. The exception to this is that an insurer may file with the Director a uniform positive

1 or negative deviation the insurer will apply to premiums produced by the rating
2 organization's filed rating system. A.R.S. §20-359(A).

3 3. Deviations must be on file with the Director for 30 days before they become
4 effective and are effective for a period of only one year from their effective date unless
5 terminated sooner on the order of or with the approval of the Director.

6 4. In 2009, Respondent filed with the Director a uniform deviation of -15%
7 pursuant to A.R.S. §20-359(A)(1). The deviation expired at midnight on December 31,
8 2009, and Respondent did not make a filing with the Director to use a workers'
9 compensation deviation prior to the expiration of the previous filing.

10 4. On January 25, 2010, Respondent filed to reinstate its -15% deviation with an
11 effective date of February 25, 2010.

12 5. Respondent voluntarily disclosed that from January 1, 2010 through February
13 24, 2010 it wrote 85 policies that did not qualify for schedule rating and it continued to apply
14 the -15% deviation. A list of the 85 referenced policies is attached as Exhibit A. Those 85
15 policies account for a total of \$125,196 in final premium and an undercharge to each
16 insured.

17 CONCLUSIONS OF LAW

18 1. The Director has jurisdiction over this matter.

19 2. Respondent's conduct, as alleged above, constitutes making or issuing a
20 contract or policy except in accordance with the ratings filed on its behalf by the rating
21 NCCI after Respondent's -15% deviation expired December 31, 2009, within the meaning
22 of A.R.S. §20-357(E)

23 3. Grounds exist for the Director to suspend or revoke Respondent's certificate of
24 authority and, in addition to or instead of any suspension or revocation, the Director may
25 impose a civil penalty of not more than \$1000.00 for each unintentional failure or violation,
26 up to an aggregate civil penalty of \$10,000.00, or a civil penalty of not more than \$5,000.00

1 for each intentional failure or violation, up to an aggregate penalty of \$50,000.00, within the
2 meaning of A.R.S. §§ 20-220(A) and (B).

3 **ORDER**

4 IT IS HEREBY ORDERED THAT

5 1. Respondent shall cease and desist from applying a deviation to premiums
6 produced by the NCCI's filed workers' compensation rating system without an effective
7 deviation on file with the Director.

8 2. Upon renewal of the 85 policies listed in Exhibit A, Respondent shall develop
9 the premiums of these policies in accordance with the deviation filing then on file with the
10 Director or adhere without deviation to the NCCI rating system.


11 3. Respondent shall take all necessary steps to ensure that a procedure is in
12 place to:

13 a) notify its personnel responsible for issuing workers' compensation policies in
14 Arizona of the deviation expiration date to prevent policies from being rated at an expired
15 deviation's premium levels; and

16 b) submit the required filing to the Director prior to the deviation expiration date
17 if Respondent wishes to continue the deviation without interruption.

18 4. Respondent shall immediately pay to the Department a civil money penalty in
19 the amount of \$8500 for deposit in the general fund.

20 DATED AND EFFECTIVE this 24th day of May, 2010.

21 
22 _____
23 CHRISTINA URIAS, Director
24 Arizona Department of Insurance
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2 **CONSENT TO ORDER**

3 1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law
4 and Order.

5 2. Respondent admits to the jurisdiction of the Director of Insurance, State of
6 Arizona, and admits the foregoing Findings of Fact and consents to the entry of the
7 foregoing Conclusions of Law and Order.

8 3. Respondent is aware of its right to notice and a hearing at which it may be
9 represented by counsel, present evidence and examine witnesses. Respondent
10 irrevocably waives its right to such notice and hearing and to any court appeals relating to
11 this Consent Order.

12 4. Respondent states that no promise of any kind or nature whatsoever, except
13 as expressly contained in this Consent Order, was made to it to induce it to enter into this
14 Consent Order and that it has entered into this Consent Order voluntarily.

15 5. Respondent acknowledges that the acceptance of this Consent Order by the
16 Director is solely to settle this matter against it and does not preclude any other agency,
17 officer, or subdivision of this state including the Department from instituting civil or criminal
18 proceedings as may be appropriate now or in the future not related to this matter.

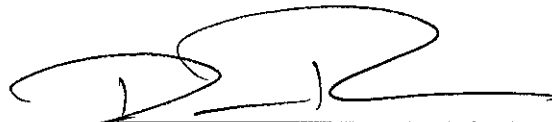
19 6. Respondent acknowledges that this Consent Order is an administrative action
20 that the Department will report to the National Association of Insurance Commissioners
21 (NAIC). Respondent further acknowledges that it must report this administrative action to
22 any and all states in which it holds an insurance license and must disclose this
23 administrative action on any license application.
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1 7. Denise Ruggiero represents that he/she is the ^{an} officer of Truck

2 Insurance Exchange and as such is authorized to enter into this Consent Order on its
3 behalf.

4 Truck Insurance Exchange

5
6 5-6-10
7 Date

8 
9 Denise Ruggiero
10 VP - Legislative - Regulatory Affairs

11 COPY of the foregoing mailed this
12 25th day of May, 2010 to:

13 Burt Garavaglia
14 AVP -Regulatory Affairs
15 Farmers Insurance Group
16 4680 Wilshire Blvd
17 Los Angeles, California 90010
18 Respondent

19 William Riedley
20 AVP Commercial Compliance & Risk Management
21 Farmers Insurance Group
22 3041 Cochran St.
23 Simi Valley, California 93065

24 Kerry Hayden
25 Government Affairs Representative - Arizona
26 18444 N. 25th Avenue
Phoenix, Arizona 85023

Gerrie Marks, Deputy Director
Dean Ehler, Assistant Director
Mary Butterfield, Assistant Director
Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018



Curvey Walters Burton

EXHIBIT A

Arizona Truck Insurance Exchange - Policies effective from 1/1/2010 to 2/24/2010,
not eligible for schedule rating plan (manual premium less than \$3000)

Total 85 policies

POLNUM	Collected Premium
A15082286	\$ 1,001.00
A15088470	\$ 1,140.00
A15089241	\$ 1,134.00
A15089915	\$ 1,646.00
A15097394	\$ 1,297.00
A15106116	\$ 2,073.00
A15106637	\$ 2,361.00
A15109168	\$ 2,505.00
A15111112	\$ 1,774.00
A15111861	\$ 1,452.00
A15113217	\$ 2,244.00
A15122078	\$ 2,134.00
A15125046	\$ 944.00
A15165906	\$ 2,742.00
A15167321	\$ 2,151.00
A15179347	\$ 1,471.00
A15186317	\$ 104.00
A15186335	\$ 263.00
A15186336	\$ 1,422.00
A15186372	\$ 1,003.00
A15186399	\$ 413.00
A15186430	\$ 1,604.00
A15186441	\$ 2,781.00
A15186467	\$ 1,228.00
A15186469	\$ 223.00
A15186473	\$ 2,385.00
A15186479	\$ 441.00
A15186485	\$ 1,744.00
A15186490	\$ 2,463.00
A15186491	\$ 1,856.00
A15186496	\$ 934.00
A15186507	\$ 525.00
A15187812	\$ 319.00
A15187831	\$ 1,812.00
A15187843	\$ 2,183.00
A15187845	\$ 2,497.00
A15187848	\$ 872.00
A15187887	\$ 546.00
A15187894	\$ 2,517.00
A15187905	\$ 609.00
A15187963	\$ 688.00
A15187971	\$ 1,390.00
A15188013	\$ 1,233.00
A15188048	\$ 828.00
A15188050	\$ 920.00
A15188058	\$ 1,949.00
A15188061	\$ 276.00
B15102703	\$ 2,146.00

B15107732	\$	1,767.00
B15111981	\$	2,376.00
B15118897	\$	1,162.00
B15165889	\$	1,588.00
B15186389	\$	1,781.00
B15186488	\$	583.00
B15186489	\$	692.00
B15186497	\$	1,865.00
B15187824	\$	1,907.00
B15187911	\$	994.00
C15078112	\$	2,828.00
C15080069	\$	1,162.00
C15081468	\$	1,450.00
C15083033	\$	969.00
C15116963	\$	1,847.00
D15079482	\$	2,388.00
D15080223	\$	2,005.00
E15072543	\$	1,466.00
E15076964	\$	1,388.00
E15079694	\$	1,062.00
E15080395	\$	1,083.00
E15081928	\$	3,366.00
F15072430	\$	2,255.00
F15083026	\$	1,779.00
G15078105	\$	1,902.00
N15072477	\$	2,466.00
N15072479	\$	2,195.00
A15188075	\$	727.00
A15188076	\$	1,117.00
A15188082	\$	821.00
A15188098	\$	506.00
A15188099	\$	417.00
A15188148	\$	1,112.00
A15188154	\$	540.00
A15188227	\$	595.00
B15123952	\$	2,482.00
C15157570	\$	2,310.00
	\$	125,196.00