

FEB 3 2011

DEPT OF INSURANCE
BY CB

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

) Docket No. 11A-019-INS

)
) **MENDOTA INSURANCE COMPANY,**

) **CONSENT ORDER**

)
) NAIC # 33650,

)
) Respondent.
)

7 Examiners for the Department of Insurance (the "Department") conducted a
8 target market conduct examination of Mendota Insurance Company (MIC"). In the
9 Report of Target Market Conduct Examination of the Market Conduct Affairs of
10 Mendota Insurance Company, the examiners allege that Mendota Insurance Company
11 violated A.R.S. §§20-461, 20-466.03, 20-1632.01, 20-2110, and A.A.C. R20-6-801.

12 Mendota Insurance Company wishes to resolve this matter without formal
13 proceedings, admits that the following Findings of Fact are true, and consents to the
14 entry of the following Conclusions of Law and Order.

15 **FINDINGS OF FACT**

16 1. Mendota Insurance Company is authorized to transact property and
17 casualty insurance pursuant to a Certificate of Authority issued by the Director.

18 2. The Director authorized the examiners to conduct a target market
19 conduct examination of Mendota Insurance Company. The examination covered the
20 time period from January 1, 2009 through December 31, 2009 and concluded on
21 November 8, 2010. Based on their findings, the examiners prepared the "Report of
22 Target Market Conduct Examination of Mendota Insurance Company" dated December
23 31, 2009.

24 3. The examiners reviewed 57 of 356 private passenger automobile policies
25 cancelled for underwriting reasons during the time frame of the examination and found

1 that MIC failed to provide a compliant Summary of Rights for 57 private passenger
2 automobile cancellations.

3 4. The examiners reviewed 107 of 5,010 private passenger automobile
4 policies cancelled or non-renewed for non-payment during the time frame of the
5 examination and found that MIC failed to give the required seven (7) day grace period
6 to 10 policyholders non-renewed for non-payment of premium.

7 5. The examiner found 3 claim forms (Exhibit A) used by the Company
8 during the time frame of the examination that failed to contain a compliant fraud
9 warning notice.

10 6. The examiners reviewed 52 of 212 private passenger automobile total
11 loss claim files processed by the Company during the time frame of the examination
12 and found that MIC failed to pay the correct license registration and/or air quality fees
13 payable in the settlement of 13 total losses.

14 7. During the review of the Company's private passenger automobile claim
15 settlement practices, MIC resettled all 13 claims resulting in total restitution to
16 claimants of \$17.04, including interest. During the review the Company also completed
17 a self-audit of the remaining total loss claims and made additional restitution payments
18 of \$229.85, including interest, on 28 total loss claims.

19 **CONCLUSIONS OF LAW**

20 1. MIC violated A.R.S. §20-2110 by failing to send policyholders a compliant
21 Summary of Rights in the event of an adverse underwriting decision.

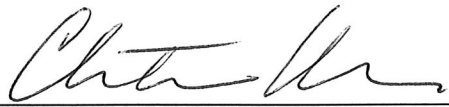
22 2. MIC violated A.R.S §20-1632.01(A) by failing to provide the required
23 seven (7) day grace period to policies non-renewed for non-payment of premium.

24 3. MIC violated A.R.S §20-466.03 by using claim forms that failed to contain
25 a compliant fraud warning notice.

1 the State Treasurer for deposit in the State General Fund in accordance with A.R.S.
2 §20-220(B). MIC shall submit the civil penalty to the Market Oversight Division of the
3 Department prior to the filing of this Order.

4 5. The Report of Target Market Examination of Mendota Insurance
5 Company of December 31, 2009, including the letter with their objections to the Report
6 of Examination, shall be filed with the Department upon the filing of this Order.

7 DATED at Arizona this 2nd day of February, 2011.

8
9 

10 _____
11 Christina Urias
12 Director of Insurance

13
14
15

16
17
18
19
20
21
22
23
24
25

1 **CONSENT TO ORDER**

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

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

10 4. Mendota 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. Mendota 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. Richard A. Slater, Jr., who holds the office of
19 President & COO of Mendota Insurance Company is authorized to enter
20 into this Order for them and on their behalf.

21
22 **MENDOTA INSURANCECOMPANY**

23
24
25 Jan. 31, 2011
Date

By Richard A. Slater, Jr.

1 COPY of the foregoing mailed/delivered
2 this 3rd day of February , 2011, 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

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

19 Richard A. Slater, Jr., President and Chief Operating Officer
20 Mendota Insurance Company
21 150 Northwest Point Boulevard
22 Elk Grove Village, IL 60007

23 
24 _____
25

EXHIBIT A

Fraud Warning Statement. The Company failed to include the Fraud Warning statement, in at least twelve-point type, on 3 claim forms/letters, an apparent violation of A.R.S. § 20-466.03.

Forms without a Fraud Warning Statement

- Property Damage Release
- Release
- General Release – Husband and Wife