

JUL 29 2011

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY 

In the Matter of:

**HOMESITE INDEMNITY COMPANY,**

NAIC # 20419,

Respondent.

) Docket No. 11A-100-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Homesite Indemnity Company ("HIC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Homesite Indemnity Company, the examiners allege that HIC, violated A.R.S. §§20-443, 20-461, 20-462, 20-466.03, and 20-2110.

Homesite Indemnity 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. Homesite Indemnity 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 Homesite Indemnity Company. The examination covered the time period from January 1, 2010 through December 31, 2010 and concluded on May 17, 2011. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Homesite Indemnity Company" dated December 31, 2010.

3. The examiners reviewed 50 of 111 homeowner non-renewals and 110 of 493 homeowner cancellations, non-renewed or cancelled for underwriting reasons

1 during the time frame of the examination and found that HIC failed to provide a  
2 compliant Summary of Rights to 13 non-renewed and 69 cancelled homeowner  
3 policyholders.

4 4. The examiners reviewed 50 of 2,336 homeowner policies cancelled for  
5 non-payment of premium during the time frame of the examination and found that HIC  
6 failed to mail cancellation notices at least 10 days prior to the effective date of the  
7 cancellation, as required by the Company's own policy form, to 3 policyholders.

8 5. The examiners found one claim denial letter, used by the Company  
9 during the time frame of the examination that failed to contain a fraud warning notice in  
10 at least twelve-point type.

11 6. The examiners reviewed 50 of 1,348 homeowner claims settled during  
12 the time frame of the examination and found that HIC failed to correctly calculate and  
13 pay the Transaction Privilege Tax on 30 homeowner settlements.

14 7. Following the examiner review of the Company's homeowner claim  
15 settlement practices, HIC resettled 30 homeowner claims which resulted in restitution  
16 payments to insureds of \$7,835.54, plus \$369.67 interest. During the review the  
17 Company also made additional restitution of \$250.00, plus interest of \$13.08, to one  
18 insured not reimbursed their deductible following subrogation recovery.

19 **CONCLUSIONS OF LAW**

20 1. Homesite Indemnity Company violated A.R.S. §20-2110 by failing to  
21 provide insureds with a compliant Summary of Rights in the event of an adverse  
22 underwriting decision.

23 2. HIC violated A.R.S. §20-443(A)(1) by failing to mail non-payment  
24 cancellation notices at least 10 days prior the effective date of the cancellation, as  
25 required by the Company's own policy form.



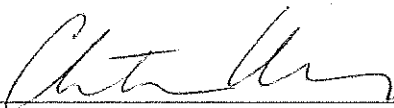
1 Order section of this Consent Order. Evidence of corrective action and communication  
2 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,  
3 procedures manuals, print screens, and training materials.

4 4. The Department shall, through authorized representatives, verify that  
5 Homesite Indemnity Company has complied with all provisions of this Order.

6 5. Homesite Indemnity Company shall pay a civil penalty of \$19,000.00 to  
7 the Director for remission to the State Treasurer for deposit in the State General Fund  
8 in accordance with A.R.S. §20-220(B). Homesite Indemnity Company shall submit the  
9 civil penalty to the Market Oversight Division of the Department prior to the filing of this  
10 Order.

11 6. The Report of Target Market Examination of Homesite Indemnity  
12 Company of December 31, 2010, including the letter with their objections to the Report  
13 of Examination, shall be filed with the Department upon the filing of this Order.

14 DATED at Arizona this 28<sup>th</sup> day of July, 2011.

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17 \_\_\_\_\_  
18 Christina Urias  
19 Director of Insurance  
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1 **CONSENT TO ORDER**

2 1. Homesite Indemnity Company has reviewed the foregoing Order.

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

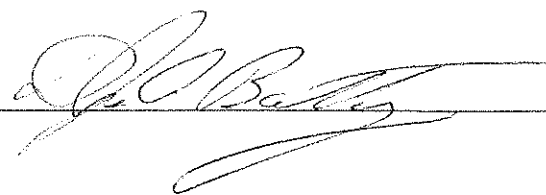
10 4. Homesite Indemnity Company states that no promise of any kind or  
11 nature whatsoever was made to it to induce it to enter into this Consent Order and that  
12 it has entered into this Consent Order voluntarily.

13 5. Homesite Indemnity 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. Douglas A. BATTING, who holds the office of  
19 President of Homesite Indemnity Company, is authorized to enter  
20 into this Order for them and on their behalf.

21  
22 **HOMESITE INDEMNITY COMPANY**

23  
24  
25 7/20/11  
Date

By 

1 COPY of the foregoing mailed/delivered  
2 this 29th day of July, 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 DEPARTMENT OF INSURANCE  
2910 North 44th Street, Suite 210  
Phoenix, AZ 85018

Maureen Fidler, Compliance Officer  
Homesite Group Incorporated  
99 Bedford Street  
Boston, MA 02111

Curvey Burton