

JUN 14 2012

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY *MS*

In the Matter of:

COLORADO CASUALTY INSURANCE COMPANY,
NAIC # 41785,
Respondent.

) Docket No.12A-057-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Colorado Casualty Insurance Company ("CCIC").

In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Colorado Casualty Insurance Company, the examiners allege that CCIC violated A.R.S. §§20-461, 20-462, 20-466.03, 20-1631, 20-1632, 20-1652, 20-2106, 20-2110 and A.A.C. R20-6-801.

Colorado Casualty Insurance Company wishes to resolve this matter without formal proceedings, neither admits nor denies 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. Colorado Casualty 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 Colorado Casualty Insurance Company. The examination covered the time period from January 1, 2010 through December 31, 2010 and concluded on January 24, 2012. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Colorado Casualty Insurance Company" dated December 31, 2010.

3. The examiners reviewed 22 of 114 homeowner non-renewals, 26 of 36

1 homeowner cancellations, 33 of 171 private passenger automobile non-renewals and
2 15 of 27 private passenger automobile cancellations, either non-renewed or cancelled
3 due to an adverse underwriting decision during the time frame of the examination and
4 found that CCIC failed to provide a compliant Summary of Rights to all 96
5 policyholders.

6 4. The examiners found an underwriting authorization disclosure form
7 included within an application, *Homeowners Application* (ACORD 80, 2003/02), used
8 during the time frame of the examination, that failed to specify that the authorization
9 remains valid for no longer than one year from the date the authorization is signed and
10 failed to advise the individual or a person authorized to act on behalf of the individual
11 that they are entitled to receive a copy of the authorization form.

12 5. The examiners found three claim authorization disclosure forms used
13 during the time frame of the examination that failed to specify the authorization remains
14 valid for no longer than the duration of the claim and advise the individual or a person
15 authorized to act on behalf of the individual that they are entitled to receive a copy of
16 the authorization form. (see Exhibit A)

17 6. The examiners reviewed 36 of 36 homeowner cancellations, cancelled for
18 underwriting reasons during the time frame of the examination and found that CCIC
19 failed to use a valid reason for cancellation of 7 policyholders.

20 7. The examiners reviewed 44 of 171 private passenger automobile non-
21 renewals and 24 of 27 private passenger automobile cancellations, either non-renewed
22 or cancelled due to an adverse underwriting decision during the time frame of the
23 examination and found that CCIC failed to offer a named driver exclusion prior to non-
24 renewal or cancellation to 9 non-renewed and 4 cancelled policyholders.

25 8. The examiners reviewed 44 of 171 private passenger automobile policies

1 non-renewed for underwriting reasons during the time frame of the examination and
2 found that CCIC failed to provide a non-renewal notice at least 45-days before the
3 effective date to 7 policyholders.

4 9. The examiners reviewed 68 of 198 private passenger automobile policies
5 cancelled due to an adverse underwriting decision during the time frame of the
6 examination and found that CCIC failed to mail cancellation notice at least 10 days
7 before the effective date to 9 policyholders.

8 10. The examiners reviewed 44 of 171 private passenger automobile policies
9 non-renewed for underwriting reasons during the time frame of the examination and
10 found that CCIC failed to provide a notice of non-renewal that included the specific
11 reason for the non-renewal to 5 policyholders.

12 11. The examiners reviewed 44 of 171 private passenger automobile policies
13 non-renewed for underwriting reasons during the time frame of the examination and
14 found that CCIC used 3 non-renewal notices that failed to inform policyholders of their
15 right to complain to the Director and their possible eligibility for insurance through the
16 automobile assigned risk plan.

17 12. The examiners found 6 claim forms used by the Company during the time
18 frame of the examination that failed to contain a compliant fraud warning notice. (see
19 Exhibit B)

20 13. The examiners reviewed 50 of 318 homeowner and 50 of 218 commercial
21 multi-peril claims settled during the time frame of the examination and found that CCIC
22 failed to correctly calculate and pay the Transaction Privilege Tax on 4 homeowner and
23 2 commercial multi-peril claim settlements.

24 14. The examiners reviewed 50 of 268 private passenger automobile total
25 loss claims processed by the Company during the time frame of the examination and

1 found that CCIC failed to correctly calculate and fully pay sales tax, license registration
2 and/or air quality fees payable in the settlement of 4 total losses.

3 15. The examiners reviewed 150 of 1,852 private passenger automobile and
4 100 of 453 homeowner claim files settled during the time frame of the examination and
5 found 12 private passenger automobile and 24 homeowner claims-related documents
6 and/or correspondence in which the Company failed to identify the appropriate insuring
7 company.

8 CONCLUSIONS OF LAW

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

11 2. CCIC violated A.R.S. §20-2106(7)(b) and (9) by using underwriting
12 authorization forms that failed to contain a compliant *Authorization for the Release of*
13 *Information*.

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

16 4. CCIC violated A.R.S. §20-1652 by failing to use a valid cancellation
17 reason when cancelling homeowner policies for underwriting reasons.

18 5. CCIC violated A.R.S. §20-1631(F) by failing to offer policyholders a
19 named driver exclusion prior to non-renewal or cancellation.

20 6. CCIC violated A.R.S. §§20-1631(E) and 20-1632(A) by failing to mail
21 nonrenewal notices at least 45-days before the effective date of the non-renewal.

22 7. CCIC violated A.R.S. § 20-1632(A) by failing to mail cancellation notices
23 at least 10 days before the effective date of the cancellation.

24 8. CCIC violated A.R.S. § 20-1632(A) by failing to provide a non-renewal
25 notice that includes the specific reason for the non-renewal.

1 cancellation.

2 f. mail nonrenewal notices at least 45 days before the effective date of
3 the non-renewal.

4 g. mail cancellation notices at least 10 days before the effective date of
5 the cancellation.

6 h. provide a notice of non-renewal that includes the specific reason for
7 the non-renewal.

8 i. use non-renewal notices that inform policyholders of their right to
9 complain to the Director and their possible eligibility for insurance through the
10 automobile assigned risk plan.

11 j. use claim forms that contain a compliant fraud warning notice.

12 k. correctly calculate and pay the Transaction Privilege Tax on
13 homeowner and commercial multi-peril claim settlements.

14 l. correctly calculate and fully pay sales tax and other fees payable in
15 the settlement of total losses.

16 m. identify the correct insuring company on all claims-related documents
17 and/or correspondence.

18 2. Within 90 days of the filed date of this Order, Colorado Casualty
19 Insurance Company shall submit to the Arizona Department of Insurance, for approval,
20 evidence that CCIC implemented corrections and communicated these corrections to
21 the appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order
22 section of this Consent Order. Evidence of corrective action and communication
23 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,
24 procedures manuals, print screens, and training materials.

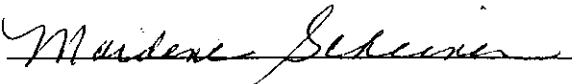
25 3. The Department shall, through authorized representatives, verify that

1 COPY of the foregoing mailed/delivered
2 this 14th day of June , 2012, 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 Kurt Regner
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

Lucinda Woods, CPCU, ARM, ARC
Regional Director, Market Conduct Service
Office of Corporate Compliance
Liberty Mutual Group
175 Berkeley Street
Boston, MA 02116



1 CCIC has complied with all provisions of this Order.

2 4. Colorado Casualty Insurance Company shall pay a civil penalty of
3 \$29,000.00 to the Director for remission to the State Treasurer for deposit in the State
4 General Fund in accordance with A.R.S. §20-220(B). CCIC shall submit the civil
5 penalty to the Market Oversight Division of the Department prior to the filing of this
6 Order.

7 5. The Report of Target Market Examination of Colorado Casualty
8 Insurance Company of December 31, 2010, including the letter with their objections to
9 the Report of Examination, shall be filed with the Department upon the filing of this
10 Order.

11 DATED at Arizona this 12th day of June, 2012.



Christina Urias
Director of Insurance

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1 **CONSENT TO ORDER**

2 1. Colorado Casualty Insurance Company has reviewed the foregoing
3 Order.

4 2. Colorado Casualty Insurance Company admits the jurisdiction of the
5 Director of Insurance, State of Arizona, neither admits nor denies the foregoing
6 Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

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

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

14 5. Colorado Casualty 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. JAMES SWEGLE, who holds the office of
20 VICE PRESIDENT of Colorado Casualty Insurance Company, is
21 authorized to enter into this Order for them and on their behalf.

22 **COLORADO CASUALTY INSURANCE COMPANY**

23
24 5/24/2012
25 Date

By

James Swegle

EXHIBIT A

Claim Authorization Disclosure

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

The following table summarizes these authorization form findings.

	Form Description / Title	Form #	Statute Provision
1	Authorization to Disclose Protected Health Information	Unknown	8(b) and 9
2	Authorization to Release Health Information	Unknown	8(b) and 9
3	Authorization to Disclose Health Information and Other Records	Unknown	9

EXHIBIT B

Fraud Warning Statement – The Company failed to include the required fraud warning statement on six (6) claim forms in violation of A.R.S. § 20-466.03.

The following table summarizes the fraud warning statement findings.

	Form Description / Title	Form Number
1	Release of Property Damage Claims (Comml/PPA)	NA
2	Authorization to Disclose Protected Health Information (Comml/PPA)	NA
3	Release Property Damage Claims Only (Comml)	NA
4	Authorization to Release Health Information (PPA)	NA
5	Minors Release and Parental Release and Indemnity Agreement (PPA)	NA
6	Uninsured/Underinsured Motorist Release (PPA)	NA