

APR 11 2013

DEPT OF INSURANCE
BY 

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

<p>1 2 3 4 5 6 7</p>	<p>In the Matter of: UNITRIN DIRECT PROPERTY & CASUALTY COMPANY, NAIC # 10915,</p>	<p>)))))))</p>	<p>Docket No. 13A-051-INS CONSENT ORDER</p>
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Respondent.

8 Examiners for the Department of Insurance (the "Department") conducted a
9 target market conduct examination of Unitrin Direct Property & Casualty Company
10 ("UDPC"). In the Report of Target Market Conduct Examination of the Market Conduct
11 Affairs of Unitrin Direct Property & Casualty Company, the examiners allege that UDPC
12 violated A.R.S. §§20-385, 20-461, 20-462, 20-466.03, 20-1631, 20-2106, 20-2110 and
13 A.A.C. R20-6-801.

14 Unitrin Direct Property & Casualty Company wishes to resolve this matter
15 without formal proceedings, admits that the following Findings of Fact are true, and
16 consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

17
18 1. Unitrin Direct Property & Casualty Company is authorized to transact
19 property and casualty insurance pursuant to a Certificate of Authority issued by the
20 Director.

21 2. The Director authorized the examiners to conduct a target market
22 conduct examination of Unitrin Direct Property & Casualty Company. The examination
23 covered the time period from January 1, 2011 through June 30, 2012 and concluded on
24 January 25, 2013. Based on their findings, the examiners prepared the "Report of
25 Target Market Conduct Examination of Unitrin Direct Property & Casualty Company"
dated June 30, 2012.

1 3. The examiners reviewed 46 new / renewal private passenger automobile
2 and 12 surcharged policies issued during the time frame of the examination and found
3 that UDPC failed to apply filed rates or incorrectly applied rates to determine the
4 correct premium on 34 new / renewal policies and 12 surcharged policies.

5 4. The examiners reviewed 32 of 32 private passenger automobile policies
6 non-renewed for underwriting reasons during the time frame of the examination and
7 found that UDPC failed to provide a compliant Summary of Rights to 8 policyholders.

8 5. The examiners reviewed 9 of 9 private passenger automobile policies
9 non-renewed and 1 of 1 cancelled due to an adverse underwriting decision during the
10 time frame of the examination and found that UDPC failed to offer a named driver
11 exclusion prior to non-renewal or cancellation to 4 policyholders.

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

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

20 8. The examiners reviewed 26 of 26 private passenger automobile total loss
21 claims processed by the Company during the time frame of the examination and found
22 that UDPC failed to correctly calculate and fully pay appropriate tax, license registration
23 and/or air quality fees payable in the settlement of 18 total losses.

24 9. The examiners reviewed 176 of 470 private passenger automobile claim
25 files settled during the time frame of the examination and found 23 total loss, 10 closed

1 without payment, 10 subrogation and 4 paid claim private passenger automobile claim
2 documents and/or correspondence in which the Company failed to identify the
3 appropriate insuring company.

4 10. During the review of the Company's new / renewal and surcharged policy
5 rating practices, UDPC made restitution payments to all policyholders owed refunds
6 which resulted in total restitution payments of \$1,353.34.

7 11. During the review of the Company's private passenger automobile total
8 loss claim settlement practices, UDPC made restitution payments to all claimants owed
9 refunds which resulted in restitution payments of \$345.52, plus \$33.10 interest, for a
10 total of \$378.62.

11 12 CONCLUSIONS OF LAW

13 1. UDPC violated A.R.S. §20-385 by failing to use filed rates or incorrectly
14 applying rates to determine the correct premium on new / renewal and surcharged
15 private passenger automobile policies.

16 2. UDPC violated A.R.S. §20-2110 by failing to send policyholders a
17 compliant Summary of Rights in the event of an adverse underwriting decision.

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

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

23 5. UDPC violated A.R.S. §20-466.03 by using claim forms that failed to
24 contain a compliant fraud warning notice.

25 6. UDPC violated A.R.S §§20-461(A)(6), 20-462(A) and A.A.C. R20-6-

1 801(H)(1)(b) by failing to correctly calculate and fully pay sales tax, license registration
2 and/or air quality fees payable in the settlement of total losses.

3 7. Grounds exist for the entry of the following Order in accordance with
4 A.R.S. §§20-220 and 20-456 and 20-2117.

5
6 **ORDER**

7 **IT IS HEREBY ORDERED THAT:**

- 8 1. Unitrin Direct Property & Casualty Company shall:
- 9 a. apply the correct filed rates to private passenger automobile policies.
- 10 b. provide insureds a compliant Summary of Rights in the event of an
11 adverse underwriting decision.
- 12 c. offer policyholders a named driver exclusion prior to non-renewal or
13 cancellation.
- 14 d. use claim authorization disclosure forms that contain a compliant
15 *Authorization for the Release of Information*.
- 16 e. use claim forms that contain a compliant fraud warning notice.
- 17 f. correctly calculate and fully pay sales tax and other fees payable in
18 the settlement of total losses.
- 19 g. identify the correct insuring Company on all private passenger
20 automobile correspondence, including but not limited to claim forms and or
21 letters.

22 2. Within 90 days of the filed date of this Order, Unitrin Direct Property &
23 Casualty Company shall submit to the Arizona Department of Insurance, for approval,
24 evidence that UDPC implemented corrections and communicated these corrections to
25 the appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order

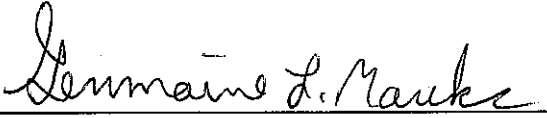
1 section of this Consent Order. Evidence of corrective action and communication
2 thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence,
3 procedures manuals, print screens, and training materials.

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

6 4. Unitrin Direct Property & Casualty Company shall pay a civil penalty of
7 \$18,000.00 to the Director for remission to the State Treasurer for deposit in the State
8 General Fund in accordance with A.R.S. §20-220(B). UDPC shall submit the civil
9 penalty to the Market Oversight Division of the Department prior to the filing of this
10 Order.

11 5. The Report of Target Market Examination of Unitrin Direct Property &
12 Casualty Company of June 30, 2012, including the letter with their objections to the
13 Report of Examination, shall be filed with the Department upon the filing of this Order.

14 DATED at Arizona this 10th day of April, 2013.

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16 
17 _____
18 Germaine L. Marks
19 Director of Insurance
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1 **CONSENT TO ORDER**

2 1. Unitrin Direct Property & Casualty Company has reviewed the foregoing
3 Order.

4 2. Unitrin Direct Property & Casualty Company admits the jurisdiction of the
5 Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and
6 consents to the entry of the Conclusions of Law and Order.

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

11 4. Unitrin Direct Property & Casualty 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. Unitrin Direct Property & Casualty 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. Elizabeth C. Lupetini, who holds the office of
20 Vice President - Compliance of Unitrin Direct Property & Casualty Company, is
21 authorized to enter into this Order for them and on their behalf.

22 **UNITRIN DIRECT PROPERTY & CASUALTY COMPANY**

23
24 4/2/2013
25 Date

By 

1 COPY of the foregoing mailed/delivered
this 11th day of April, 2013, to:

2
3 Germaine L. Marks
Director of Insurance

4 Mary Butterfield
Assistant Director
5 Consumer Affairs Division

6 Helene I. Tomme
Market Examinations Supervisor
7 Market Oversight Division

8 Dean Ehler
Assistant Director
Property and Casualty Division

9 Kurt Regner
Assistant Director
10 Financial Affairs Division

11 David Lee
Chief Financial Examiner

12 Alexandra Shafer
Assistant Director
13 Life and Health Division

14 Chuck Gregory
Special Agent Supervisor
Investigations Division

15
16 DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210
17 Phoenix, AZ 85018

18
19 Elizabeth C. Lupetini
20 Vice President, Compliance & Underwriting
Kemper Direct
21 One East Wacker Drive, Suite 3700
Chicago, IL 60601


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23
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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
Consent to Disclosure and Release Form	Unknown	8(b) and 9
AZ Application for Benefits	Unknown	8(b) and 9
Authorization for Release of Medical Information	Unknown	8(b) and 9
Authorization for Disclosure of Protected Health Information	APBEAUPP	9

EXHIBIT B

Fraud Warning Statement

Failed to provide fraud warning statement in at least twelve (12) point type
A.R.S. § 20-466.03

Form Description / Title	Form Number
Arizona Application for Benefits	NA
Consent to Disclosure and Release Form	NA
Affidavit of Vandalism	NA
Release of All Claims	NA