

NOV 4 2013

DEPT OF INSURANCE
BY 

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

<p>1 In the Matter of:</p> <p>2</p> <p>3</p> <p>4 UNITED INSURANCE COMPANY,</p> <p>5 NAIC # 12256,</p> <p>6 Respondent.</p>	<p>) Docket No. 13A-131-INS</p> <p>)</p> <p>) CONSENT ORDER</p> <p>)</p> <p>)</p>
--	--

7 Examiners for the Department of Insurance (the "Department") conducted a
8 target market conduct examination of United Insurance Company ("UIC"). In the
9 Report of Target Market Conduct Examination of the Market Conduct Affairs of United
10 Insurance Company, the examiners allege that UIC violated A.R.S. §§20-385, 20-461,
11 20-462, 20-466.03, 20-1631, 20-1632, 20-1632.01, 20-2106, 20-2110 and A.A.C. R20-
12 6-801.

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

FINDINGS OF FACT

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

19 2. The Director authorized the examiners to conduct a target market
20 conduct examination of United Insurance Company. The examination covered the time
21 period from January 1, 2012 through December 31, 2012 and concluded on June 11,
22 2013. Based on their findings, the examiners prepared the "Report of Target Market
23 Conduct Examination of United Insurance Company" dated December 31, 2012.

24 3. The examiners reviewed 25 of 40,790 new, renewal and surcharged
25 private passenger automobile policies issued during the time frame of the examination

1 and found that UIC failed to correctly apply filed rates on 2 new/renewal and 3
2 surcharged policies.

3 4. The examiners found the underwriting authorization disclosure included
4 within the Company's private passenger automobile application (AZAPA001 09 2010)
5 used during the time frame of the examination, failed to specify that the authorization
6 remains valid for no longer than one year from the date the authorization is signed and
7 failed to advise the individual or a person authorized to act on behalf of the individual
8 that they are entitled to receive a copy of the authorization form.

9 5. The examiners reviewed 50 of 403 private passenger automobile
10 cancellations and 51 of 381 private passenger automobile non-renewals, either
11 cancelled or non-renewed for underwriting reasons, during the time frame of the
12 examination and found that UIC failed to provide a compliant Summary of Rights for
13 50 cancellations and 51 non-renewals.

14 6. The examiners reviewed 50 of 403 private passenger automobile
15 cancellations and 51 of 381 private passenger automobile non-renewals, either
16 cancelled or non-renewed for underwriting reasons, during the time frame of the
17 examination and found that UIC failed to mail cancellation and non-renewal notices via
18 certified mail or United States post office certificate of mailing to 50 cancelled and 51
19 non-renewed policyholders.

20 7. The examiners reviewed 51 of 381 private passenger automobile policies
21 non-renewed for underwriting reasons during the time frame of the examination and
22 found that UIC failed to provide non-renewal notices at least 45 days before the
23 effective date to 51 non-renewed policyholders.

24 8. The examiners reviewed 50 of 403 private passenger automobile
25 cancellations and 51 of 381 private passenger automobile non-renewals, either

1 cancelled or non-renewed for underwriting reasons, during the time frame of the
2 examination and found that UIC failed to use cancellation and non-renewal notices that
3 included the insured's right to complain to the Director on 50 cancellations and 51 non-
4 renewals.

5 9. The examiners reviewed 50 of 403 private passenger automobile policies
6 cancelled during the time frame of the examination and found that UIC cancelled 5
7 policies that had been in effect for more than 60 days for reasons not allowed by
8 statute.

9 10. The examiners reviewed 98 of 26,426 private passenger automobile
10 policies cancelled for non-payment of premium during the time frame of the
11 examination and found that UIC failed to provide the required 7-day grace period
12 before cancelling policies to 98 policyholders.

13 11. The examiners found one claim form, *Parents-Guardian Release and*
14 *Indemnity Agreement*, used by the Company during the time frame of the examination
15 that failed to contain a compliant fraud warning notice.

16 12. The examiners found one claim authorization disclosure form, *HIPPA*
17 *Compliant Authorization for Release of Protected Health/Medical Information*, used
18 during the time frame of the examination that failed to: specify the authorization
19 remains valid for no longer than the duration of the claim and advise the individual or a
20 person authorized to act on behalf of the individual that they are entitled to receive a
21 copy of the authorization form.

22 13. The examiners reviewed 52 of 240 closed without payment and 90 of 90
23 total loss personal automobile paid claims settled during the time frame of the
24 examination and found that UIC failed to adequately document 2 closed without
25 payment and 6 total loss paid claims in such detail that pertinent events and the dates

1 of such events could be reconstructed.

2 14. The examiners reviewed 90 of 90 private passenger automobile total loss
3 claim files processed by the Company during the time frame of the examination and
4 found that UIC failed to correctly calculate and fully pay the appropriate sales tax,
5 license registration and/or air quality fees in the settlement of 41 total losses.

6 15. During the review of the Company's private passenger automobile total
7 loss claim settlement practices, UIC made restitution payments to all 41 claimants of
8 \$8,474.53, which included \$380.58 in interest.

9 16. During the review of the Company's rating practices, UIC made restitution
10 payment to the policy holder overcharged due to incorrectly applied rates of \$94.86.

11
12 **CONCLUSIONS OF LAW**

13 1. UIC violated A.R.S. §20-385 by failing to accurately apply filed private
14 passenger automobile rates to new/renewal and surcharged policies.

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

18 3. UIC violated A.R.S. §20-2110 by failing to send policyholders a compliant
19 Summary of Rights in the event of an adverse underwriting decision.

20 4. UIC violated A.R.S. §20-1632(A) by failing to send cancellation and non-
21 renewal notices to policyholders cancelled or non-renewed for underwriting reasons via
22 certified mail or United States post office certificate of mailing.

23 5. UIC violated A.R.S. §§20-1631(E) by failing to send non-renewal notices
24 to policyholders at least 45 days before the effective date.

25 6. UIC violated A.R.S. § 20-1632(A)(1) by failing to use cancellation and

1 non-renewal notices that include the insured's right to complain to the Director.

2 7. UIC violated A.R.S. §20-1631(D) by cancelling private passenger
3 automobile policies that had been in effect for more than 60 days for reasons not
4 allowed by statute.

5 8. UIC violated A.R.S. §20-1632.01(A) by failing to provide the required 7-
6 day grace period on private passenger automobile policies cancelled for non-payment
7 of premium.

8 9. UIC violated A.R.S. §20-466.03 by using a claim form that failed to
9 contain a compliant fraud warning notice.

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

12 11. UIC violated A.A.C. R20-6-801(C) by failed to adequately document claim
13 files in such detail that pertinent events and the dates of such events could be
14 reconstructed.

15 12. UIC violated A.R.S §§20-461(A)(6), 20-462 and A.A.C. R20-6-
16 801(H)(1)(b) by failing to correctly calculate and fully pay the sales tax, license
17 registration and/or fees payable in the settlement of total losses.

18 13. Grounds exist for the entry of the following Order in accordance with
19 A.R.S. §§20-220 and 20-456 and 20-2117.

20
21 **ORDER**

22 **IT IS HEREBY ORDERED THAT:**

23 1. United Insurance Company shall:

24 a. accurately apply filed private passenger automobile rates to
25 new/renewal and surcharged policies.

1 b. use applications that include underwriting authorization disclosures
2 that contain a compliant *Authorization for the Release of Information*.

3 c. provide insureds a compliant Summary of Rights in the event of an
4 adverse underwriting decision.

5 d. send cancellation and non-renewal notices to policyholders, on
6 policies cancelled or non-renewed for underwriting reasons, via certified mail or
7 United States post office certificate of mailing.

8 e. send non-renewal notices to policyholders at least 45 days before the
9 effective date.

10 f. use cancellation and non-renewal notices that include the insured's
11 right to complain to the Director

12 g. use only reasons allowed by statute to cancel private passenger
13 automobile policies in effect for more than 60 days.

14 h. provide the required 7-day grace period on private passenger
15 automobile policies cancelled for non-payment of premium.

16 i. use claim forms that contain a compliant fraud warning notice.

17 j. use claim authorization disclosure forms that contain a compliant
18 *Authorization for the Release of Information*.

19 k. adequately document claim files in such detail that pertinent events
20 and the dates of such events could be reconstructed.

21 l. correctly calculate and fully pay any sales tax and fees, payable in the
22 settlement of total losses.

23 2. Within 90 days of the filed date of this Order, United Insurance Company
24 shall submit to the Arizona Department of Insurance, for approval, evidence that UIC
25 implemented corrections and communicated these corrections to the appropriate

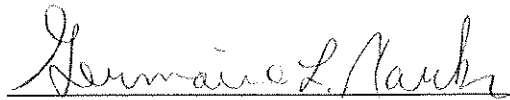
1 personnel, regarding the issues outlined in Paragraph 1 of the Order section of this
2 Consent Order. Evidence of corrective action and communication thereof includes, but
3 is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print
4 screens, and training materials.

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

7 4. United Insurance Company shall pay a civil penalty of \$23,000.00 to the
8 Director for remission to the State Treasurer for deposit in the State General Fund in
9 accordance with A.R.S. §20-220(B). UIC shall submit the civil penalty to the Market
10 Oversight Division of the Department prior to the filing of this Order.

11 5. The Report of Target Market Examination of United Insurance Company of
12 December 31, 2012, including the letter with their objections to the Report of
13 Examination, shall be filed with the Department upon the filing of this Order.

14 DATED at Arizona this 1st day of November, 2013.

15
16 
17 Germaine L. Marks
18 Director of Insurance
19
20
21
22
23
24
25

1
2 **CONSENT TO ORDER**

3 1. United Insurance Company has reviewed the foregoing Order.

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

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

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

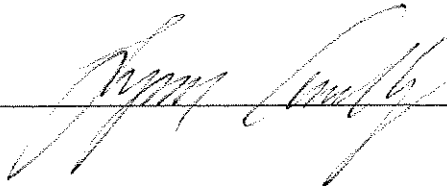
14 5. United Insurance Company acknowledges that the acceptance of this
15 Order by the Director of the Arizona Department of Insurance is solely for the purpose
16 of settling this matter and does not preclude any other agency or officer of this state or
17 its subdivisions or any other person from instituting proceedings, whether civil, criminal,
18 or administrative, as may be appropriate now or in the future.

19 6. Lynn Connelly, who holds the office of
20 President of United Insurance Company, is authorized to enter
21 into this Order for them and on their behalf.

22 **UNITED INSURANCE COMPANY**

23
24 10/25/2013
25 Date

By



1 COPY of the foregoing mailed/delivered
2 this 4th day of November, 2013, to:

3 Germaine L. Marks
4 Director of Insurance
5 Darren Ellingson
6 Deputy Director
7 Director's Office
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

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

19 Lynn Connelly, President
20 United Insurance Company
21 P.O. Box 971000
22 Orem, Utah 84097

24 
25