

STATE OF ARIZONA

JAN 6 2015

DEPARTMENT OF INSURANCE DEPT OF INSURANCE
BY *M/S*

In the Matter of:

) Docket No. 15A-001-INS

ARIZONA HOME INSURANCE COMPANY,

) **CONSENT ORDER**

NAIC # 38490,

) Respondent.

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Arizona Home Insurance Company ("AHC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Arizona Home Insurance Company, the examiners allege that AHC violated A.R.S. §§20-443, 20-444, 20-466.03, 20-1653, 20-2104 and 20-2106.

Arizona Home Insurance 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. Arizona Home 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 Arizona Home Insurance Company. The examination covered the time period from January 1, 2013 through December 31, 2013 and concluded on September 24, 2014. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Arizona Home Insurance Company" dated December 31, 2013.

3. The examiners reviewed the Company's marketing and sales materials

1 and found the *Preferred Homeowners Insurance* brochure contained deceptive and
2 misleading content, in that it implied an endorsement by the Arizona Department of
3 Insurance and referenced the parent company of Arizona Home Insurance Company
4 that does not write homeowner insurance business in Arizona.

5 4. The examiners reviewed 19 dwelling fire and 23 homeowner new
6 business applications processed during the timeframe of the examination and found
7 that AHC failed to provide all 42 applicants with a *Notice of Insurance Information*
8 *Practices* at the time personal information was first collected from a source other than
9 the applicant or public records. The Company contacted the 42 applicants and
10 provided the appropriate Notice of Insurance Information Practices when the Company
11 delivered the relevant policies.

12 5. The examiners reviewed 9 dwelling fire and 38 homeowner new and
13 renewal policies from a population of 14,190 processed during the time frame of the
14 examination and found that 47 declarations pages made reference to incorrect "*New*
15 *Loan*" premium discounts used to determine the policy premium.

16 6. The examiners reviewed 75 of 251 homeowner and dwelling fire policies
17 non-renewed for underwriting reasons during the time frame of the examination and
18 found that AHC failed provide the specific reason for the non-renewal to 38
19 policyholders.

20 7. The examiners reviewed 84 of 308 dwelling fire and homeowner
21 cancellation notices sent for underwriting reasons during the timeframe of the
22 examination and found that 2 dwelling fire and 3 homeowner cancellations failed to
23 provide notice at least thirty (30) days prior to the cancellation effective date.

24 8. The examiners found one claim authorization disclosure form, *Medical*
25 *Information Release Authorization* (CL037Rev1) used during the time frame of the

1 examination that failed to specify that the authorization remains valid for no longer than
2 the duration of the claim and advise the individual or a person authorized to act on
3 behalf of the individual that they are entitled to receive a copy of the authorization form.

4 9. The examiners found 4 claim forms used by the Company during the time
5 frame of the examination that failed to contain a compliant fraud warning notice in at
6 least 12-point type. (see Exhibit A)

7 10. Following examiner review of the Company's homeowner claim
8 settlement practices, AHC resettled the one (1) homeowner first party real property
9 claim which resulted in a restitution payment of \$1,124.38, plus \$124.38 interest.

10
11 **CONCLUSIONS OF LAW**

12 1. AHC violated A.R.S. §§20-443(A)(5) and 20-444(A) by distributing
13 deceptive and misleading sales material.

14 2. AHC violated A.R.S. §20-2104 by failing to provide applicants with a
15 *Notice of Insurance Information Practices* at the time personal information was first
16 collected from a source other than the applicant or public records.

17 3. AHC violated A.R.S. §20-443(A)(1) by using declarations pages that
18 made reference to incorrect premium discounts used to compute policy premium.

19 4. AHC violated A.R.S. §20-1653(2) by failing to provide homeowner and
20 dwelling fire policyholders with the specific reason for policy non-renewal.

21 5. AHC violated A.R.S. §20-443(A)(1) by failing to provide 30-day notice
22 prior to cancellation, as required by the terms of the policy.

23 6. AHC violated A.R.S. §20-2106(8)(b) and (9) by using a claim
24 authorization form that failed to contain a compliant *Authorization for the Release of*
25 *Information*.


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 AHC has complied with all provisions of this Order.

6 4. Arizona Home Insurance Company shall pay a civil penalty of \$25,000.00
7 to the Director for remission to the State Treasurer for deposit in the State General
8 Fund in accordance with A.R.S. §20-220(B). AHC shall submit the civil penalty to the
9 Market Oversight Division of the Department prior to the filing of this Order.

10 5. The Report of Target Market Examination of Arizona Home Insurance
11 Company of December 31, 2013, including the letter with their objections to the Report
12 of Examination, shall be filed with the Department upon the filing of this Order.

13 DATED at Arizona this 5th day of January, 2015.

14
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16 _____
17 Germaine L. Marks
18 Director of Insurance
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1 **CONSENT TO ORDER**

2 1. Arizona Home Insurance Company has reviewed the foregoing Order.

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

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

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

18 6. CATHERINE L. CRAIL, who holds the office of
19 VICE PRESIDENT of Arizona Home Insurance Company, is authorized to
20 enter into this Order for them and on their behalf.

21 **ARIZONA HOME INSURANCE COMPANY**

22
23
24 12.29.2014
25 Date

By Catril

EXHIBIT A

Fraud Warning Statement

The Company failed to provide a fraud warning statement on the four (4) claims forms shown in the table below. These represent four (4) violations of A.R.S. § 20-466.03.

Form Description / Title	Form #
Medical Information Release Authorization	CL037Rev1
Chain of Evidence Statement	CL230
Non-Waiver Agreement	CL083Rev1
Assignment of Subrogation Rights of Recovery	CI205

1 COPY of the foregoing mailed/delivered
2 this 6th day of January , 2015, to:

3 Germaine L. Marks
4 Director of Insurance
5 Darren Ellingson
6 Deputy Director
7 Director's Office
8 Yvonne R. Hunter
9 Assistant Director
10 Consumer Affairs 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 Chuck Gregory
20 Special Agent Supervisor
21 Investigations Division
22 Helene I. Tomme
23 Market Examinations Supervisor
24 Market Oversight Division

25 DEPARTMENT OF INSURANCE
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PO Box 19626
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Maidene Scheiner