

STATE OF ARIZONA  
FILED

JAN 16 2015

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY MS

In the Matter of an Objection by:

**CORNEJO, ALONSO R. AND ALESHA  
M.,**

**No. 15A-004-INS**

Petitioners,

**ORDER**

of a Notice of Cancellation by

**LIBERTY MUTUAL GENERAL  
INSURANCE COMPANY,**

Real Party in Interest.

On January 5, 2015, Alonso R. and Alesha M. Cornejo ("Petitioners") filed an objection with the Arizona Department of Insurance ("Department") pursuant to Arizona Revised Statutes ("A.R.S.") §§ 20-1633(A) and 20-1652(B) to appeal the cancellation of their private passenger automobile insurance policy by Liberty Mutual General Insurance Company ("Liberty Mutual").

On January 8, 2015, the Director of the Department of Insurance ("Director") ordered an examination of the objection. On January 13, 2015, the Department, through examiner Chris Hobert, issued an Examiner Recommendation ("Recommendation") received by the Director on January 13, 2015. The Recommendation is attached and incorporated by this reference.

The Director has reviewed the Recommendation and enters the following Order:

1. The Director disapproves Liberty Mutual's action.



## EXAMINER RECOMMENDATION

**TO:** Germaine L. Marks, Director

**FROM:** Chris Hobert, Market Conduct Senior Examiner

**RE:** Matter of Alonso R. Cornejo and Alesha M. Cornejo and Liberty Mutual General Insurance Company (Private Passenger Automobile Cancellation)

**DATE:** January 13, 2015

Liberty Mutual General Insurance Company ("Company" or "Liberty Mutual") as well as Mr. & Mrs. Cornejo provided the Examiner on January 13, 2015 with additional information to support each of their positions regarding the upcoming January 22, 2015 mid-term cancellation of Alonso R. Cornejo and Alesha M. Cornejo private passenger automobile policy (██████████).

### Overview:

Alonso R. Cornejo and Alesha M. Cornejo have been insured with Liberty Mutual since July 1, 2014. On July 22, 2014 the policyholders added an additional driver to their policy and paid the additional premium. On November 18, 2014 the additional driver on the policy was involved in an accident. At that time with the help of SIU the Company became aware of the vehicle involved in the accident along with one (1) other vehicle on the policy being registered through their business ASA Inc. (International Health Insurance Agency). The Company sent a cancellation notice on December 30, 2014 with their intention to mid-term cancel the policy as of January 22, 2015 for "Material Misrepresentation-Failure to disclose vehicle registrations are in business name."

### Issues:

The insured on June 16, 2014 met with Agent Rebecca Kossmann, who held herself out as an authorized agent and representative of Liberty Mutual about securing a private passenger automobile policy. During their meeting they provided Agent Kossmann with all documentation and information about themselves, their business and vehicles.

Agent Kossmann acting on behalf of the Company appears to have known the type of business the insureds were involved with along with their employee Piero having access to the vehicle. She stated in an email to the policyholder on December 8, 2014 "I do not believe this is a business or commercial risk, however, it seems they have issues with how the vehicle is how it is registered

[sic]". The agent also mentions in that same email that "I also got my hand slapped for adding Piero and not encouraging you to get a business policy at that point, so I will take my licks for that one."

### **Examiner Review**

It appears the Company made their decision to mid-term cancel the policy based on material misrepresentation, which does not appear to have occurred. The policyholders appear to have disclosed to their agent a representative of Liberty Mutual that the vehicles were involved in business activities at the time they were initially quoted back on June 16, 2014. Unfortunately, the Underwriting guidelines make the two (2) commercially registered vehicles not eligible for a private passenger automobile policy. The 2014 Ford F-150 is registered personally to Alonso Rodrigo Cornejo and would be eligible for a private passenger automobile policy.

### **Recommendation**

Under A.R.S. § 20-1631 the policy should not be canceled until expiration, because it has been in effect for sixty (60) days and the policyholder did not obtain the policy through fraudulent misrepresentation. The policyholder disclosed information to the agent that pertained to their business at the point of sale. The agent wrote the business anyways, even though it does not meet their underwriting guidelines. Also, the agent should be provided with training on the Company's underwriting guidelines, so to insure this does not happen in the future.

The Examiner carefully reviewed all information provided by all parties involved while putting together this recommendation.

### **SUMMARY**

This concludes the Examiner's recommendation on the matter of Alonso R. Cornejo and Alesha M. Cornejo against Liberty Mutual General Insurance Company. If I can be of any further assistance in finalizing this matter, please let me know.

Thank you, Chris Hobert, CIE, MCM

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