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STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of:

**FOREMOST INSURANCE COMPANY GRAND RAPIDS,
MICHIGAN,
NAIC # 11185,**

) Docket No. 15A-024-INS
)
) **CONSENT ORDER**
)
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)
)

Respondent.

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Foremost Insurance Company Grand Rapids, Michigan ("FIC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Foremost Insurance Company Grand Rapids, Michigan, the examiners allege that FIC violated A.R.S. §§20-157, 20-259.01, 20-263, 20-461, 20-462, 20-466.03, 20-1631, 20-1632, 20-1632.01, 20-1652, 20-2110, and A.A.C. R20-6-801.

Foremost Insurance Company Grand Rapids, Michigan 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. Foremost Insurance Company Grand Rapids, Michigan 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 Foremost Insurance Company Grand Rapids, Michigan. The examination covered the time period from January 1, 2013 through December 31, 2013 and concluded on November 4, 2014. Based on their findings, the examiners prepared

1 the "Report of Target Market Conduct Examination of Foremost Insurance Company
2 Grand Rapids, Michigan" dated December 31, 2013.

3 3. The examiners reviewed 23 of 8,685 motorcycle new and/or renewal policies
4 and 2 of 4,406 motor home new and/or renewal policies issued during the time frame of
5 the examination and found that FIC failed to properly document and retain signed
6 Uninsured Motorist and Underinsured Motorist ("UM/UIM") selection forms for 7
7 applicants that selected coverage limits less than the limits for bodily injury or death
8 contained in their policy.

9 4. The examiners reviewed 83 motorcycle and motorhome policies
10 surcharged for and at-fault accident during the time frame of the examination and found
11 that FIC failed to notify 3 motorcycle and 1 motorhome policyholders that an at-fault
12 accident was the reason for their policy premium increase.

13 5. The examiners reviewed 416 of 10,447 motorcycle, mobile home,
14 motorhome, and homeowner policies declined, cancelled, non-renewed or surcharged
15 due to an adverse underwriting decision, during the time frame of the examination and
16 found that FIC failed to provide a compliant Summary of Rights to 97 policyholders.

17 6. The examiners reviewed 50 of 3,470 motorcycle and antique personal
18 automobile policies cancelled for non-payment of premium, during the time frame of the
19 examination and found that FIC failed to provide the required 7-day grace period to 39
20 cancelled policyholders.

21 7. The examiners reviewed 55 of 3,557 motorcycle policies cancelled for
22 non-payment of premium or underwriting reasons during the timeframe of the
23 examination and found that 49 cancellation notices failed to include within its notice of
24 the right to complain, the specific words, "to the Director".

25 8. The examiners reviewed one motorcycle non-renewal and one

1 motorcycle cancellation, cancelled or non-renewed due to an adverse underwriting
2 decision during the time frame of the examination and found that FIC failed to offer a
3 named driver exclusion prior to non-renewal or cancellation to 2 policyholders.

4 9. The examiners reviewed 6 of 87 mobile homeowner policies non-
5 renewed for underwriting reasons during the time frame of the examination and found
6 that FIC failed to provide an additional 30-days to remedy the identified conditions, via
7 a Condition of Premises letter, prior to non-renewing 3 policyholders.

8 10. The examiners reviewed 63 of 167 motorcycle non-renewals and
9 declinations and 35 of 35 motorhome cancellations and declinations and found that FIC
10 failed to produce 15 notices of non-renewal, declination, or cancellation.

11 11. The examiners reviewed 55 of 3,298 policies cancelled for non-payment
12 of premium during the time frame of the examination and found that FIC failed to
13 provide the specific reason for the cancellation on 4 cancellation notices.

14 12. The examiners found 6 claim forms used by the Company during the time
15 frame of the examination that failed to contain an Arizona compliant fraud warning
16 notice. (Exhibit A)

17 13. The examiners reviewed 51 of 51 motorcycle and motor home total loss
18 claims processed by the Company during the time frame of the examination and found
19 that FIC failed to correctly calculate and fully pay the appropriate sales tax, license
20 registration and/or air quality fees in the settlement of 29 total losses.

21 14. During the review of the Company's motorcycle and motor home total
22 loss claim settlement practices, FIC made restitution payments to all claimants owed
23 refunds of \$3,018.28, which included \$361.06 in interest. FIC also paid an additional
24 \$72.55, which included \$10.05 in interest, to fully refund a deductible owed after
25 subrogation recovery.

1 15. During the examiner review of the Company's homeowner Transaction
2 Privilege Tax claim settlement practices, FIC resettled all outstanding claims which
3 resulted in restitution payments to 30 first party claimants of \$1,454.67, which included
4 \$164.11 in interest.

6 CONCLUSIONS OF LAW

7 1. FIC violated A.R.S. §20-259.01 by failing to properly document and retain
8 signed UM/UIM selection forms.

9 2. FIC violated A.R.S. §20-263 by failing to provide insureds with the
10 specific reason for an at-fault accident surcharge.

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

13 4. FIC violated A.R.S. §20-1632.01(A) by failing to provide the required 7-
14 day grace period for policies cancelled for non-payment of premium.

15 5. FIC violated A.R.S. §§20-1632(A)(1) and 20-1632.01(B) by using
16 cancellation notices sent for non-payment and underwriting reasons that failed to
17 include in its notice of the right to complain the words "to the Director".

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

20 7. FIC violated A.R.S. §20-1652(B) by failing to give the insured a 30 day
21 notice to remedy identified conditions prior to non-renewal.

22 8. FIC violated A.R.S. §20-157(A) by failing to provide appropriate file
23 documentation for non-renewals, declinations and / or cancellations.

24 9. FIC violated A.R.S. §20-1632.01(B) by failing to include the specific
25 reason for the cancellation on the notices sent to policyholders.

1 10. FIC violated A.R.S. §20-466.03 by using claim forms that failed to contain
2 a compliant fraud warning notice.

3 11. FIC violated A.R.S §§20-461(A)(6), 20-462(A) and A.A.C. R20-6-
4 801(H)(1)(b) by failing to correctly calculate and fully pay the sales tax, license
5 registration and/or fees payable in the settlement of motorcycle and motor home total
6 losses.

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

9
10 **ORDER**

11 **IT IS HEREBY ORDERED THAT:**

12 1. Foremost Insurance Company Grand Rapids, Michigan, ("FIC") shall
13 upon the filed date of this order:

14 a. properly document and retain signed UM/UIM selection forms.

15 b. provide insureds with the specific reason for an at-fault accident
16 surcharge.

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

19 d. provide the required 7-day grace period for policies cancelled for non-
20 payment of premium.

21 e. use cancellation notices that include in the right to complain the words
22 "to the Director".

23 f. offer policyholders a named driver exclusion prior to non-renewal or
24 cancellation.

25 g. give the insured a 30-day notice to remedy identified conditions prior

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to non-renewal.

h. maintain appropriate file and record documentation for non-renewals, declinations, and cancellations.

i. provide the specific reason for cancellation on notices for non-payment of premium.

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

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

2. Within 90 days of the filed date of this Order, FIC shall submit to the Department, for approval, evidence that FIC implemented corrections and communicated these corrections to the appropriate Department personnel, regarding the issues outlined in Paragraph 1 of the Order. Evidence of corrective action and communication thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and training materials.

3. The Department may, through authorized representatives, verify that FIC has complied with all provisions of this Order.

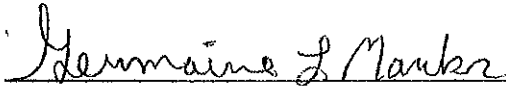
4. FIC shall pay a civil penalty of \$58,000.00 to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. §20-220(B). FIC shall submit the civil penalty to the Market Oversight Division of the Department prior to the filing of this Order.

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5. When filing this Order, the Department will also file the Report of Target Market Examination of Foremost Insurance Company Grand Rapids, Michigan, of December 31, 2013, including the FIC letter with its objections to the report.

DATED at Arizona this 13th day of March, 2015.



Germaine L. Marks
Director of Insurance

CONSENT TO ORDER

1
2 1. Foremost Insurance Company Grand Rapids, Michigan has reviewed the
3 foregoing Order.

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

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

12 4. Foremost Insurance Company Grand Rapids, Michigan states that no
13 promise of any kind or nature whatsoever was made to it to induce it to enter into this
14 Consent Order and that it has entered into this Consent Order voluntarily.

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

21 6. Stephen J. Boshoven, who holds the office of
22 President - Foremost Band of Foremost Insurance Company Grand Rapids,
23 Michigan is authorized to enter into this Order for them and on their behalf.

FOREMOST INSURANCE COMPANY GRAND RAPIDS, MICHIGAN

24
25 3/6/2015
Date

By Stephen J. Boshoven

EXHIBIT A

Preliminary Finding 004 – Fraud Warning Statement – The Company failed to provide a fraud warning statement in at least twelve (12) point type on six (6) claim forms. This represents six (6) violations of A.R.S. § 20-466.03. The following table summarizes the fraud warning statement findings.

	Form Description / Title	Form Number
1	Power of Attorney	C10068 1/2004
2	Loan Information	UNKNOWN
3	Letter of Guarantee	UNKNOWN
4	Subrogation Form	QFZ5PWZK
5	Subrogation Form	4DW44KS5
6	Authorization For Repairs and Direction of Payment	UNKNOWN

1 COPY of the foregoing mailed/delivered
2 this 16th day of March , 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 Kurt Regner
12 Assistant Director
13 Financial Affairs Division

14 David Lee
15 Chief Financial Examiner

16 Erin Klug
17 Assistant Director
18 Rate & Form Division

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
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Erin Rae Smith, MBA, MCM
Compliance Specialist
Foremost Insurance Company Grand Rapids, Michigan
5600 Beech Tree Lane
Caledonia, Michigan 49316

Maidene Scheer