

STATE OF ARIZONA

AUG 7 1996

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY CWS

1 In the Matter of) Docket No. 96A-131
 2)
 3 COUNTRY MUTUAL INSURANCE COMPANY) CONSENT ORDER
 4 COUNTRY CASUALTY INSURANCE COMPANY)
 5)
 6 Respondents.)
 7)

8 Market Conduct Examiners (the "Examiners") for the Arizona
 9 Department of Insurance (the "Department") conducted a market
 10 conduct examination of Respondents Country Mutual Insurance
 11 Company, NAIC #20990 and Country Casualty Insurance Company,
 12 NAIC #20982. Respondents are referred to collectively as
 13 "Country Companies." The Report of Market Conduct Examination
 14 (the "Report") prepared by the Examiners alleges that the
 15 Country Companies have violated Arizona Revised Statutes
 16 ("A.R.S.") §§ 20-385, 20-462, 20-1631, 20-1652, and Arizona
 Administrative Code Rule ("A.A.C. R") 20-6-801.

17 1. Respondents are authorized to transact property and
 18 casualty insurance pursuant to Certificates of Authority issued
 19 by the Director.

20 2. The Examiners were authorized by the Director to
 21 conduct a market conduct examination of the Country Companies.
 22 The on-site examination was concluded on May 26, 1995.

23 3. The Examiners reviewed 413 of the 36,280 private
 24 passenger auto policies in effect from August 23, 1992 through
 25 May 23, 1995. Of the 413, 19 policies (4.6%) were issued with
 26 incorrect territorial classifications, which resulted in
 27 overcharges on two policies totalling \$58.09 and undercharges on
 28 17 policies totalling \$1,653.35.

1 4. The Examiners reviewed 209 of the 11,705 homeowner
2 policies in effect from May 31, 1991 through May 18, 1995. Of
3 the 209, one policy (0.5%) was rated using an incorrect premium
4 zone, resulting in an overcharge to the insured of \$33.03.

5 5. The Examiners reviewed 264 personal automobile
6 policies cancelled or non-renewed by Country Companies for
7 underwriting reasons from April 11, 1991 through April 12,
8 1995. Of these, Country Companies terminated three policies
9 (1.1%) which had been in effect for 60 days or more for reasons
10 other than those permitted by A.R.S. § 20-1631(C).

11 6. The Examiners reviewed 182 homeowner policies
12 cancelled or non-renewed by Country Companies for underwriting
13 reasons from October 19, 1991 through March 14, 1995. Of these,
14 Country Companies cancelled two policy files (1.1%) which had
15 been in effect for 60 days or more for reasons other than those
16 permitted by A.R.S. § 20-1652(A).

17 7. The Examiners reviewed 86 subrogation files, and found
18 that Country Companies failed to return the pro rata portion of
19 the insured's deductible in the amount of \$107.50 to one of the
20 insureds (1.2%).

21 8. The Examiners reviewed 831 first party total loss
22 claims with loss dates from January 3, 1991 through February 17,
23 1995. Of these:

24 a. Country Companies did not pay three claims
25 (0.4%) within thirty days of the receipt of adequate proofs of
26 loss with all information necessary to pay the claims, and did
27 not pay interest on the amounts of the claims.

28

1 information necessary to pay the claims, Country Companies
2 violated A.R.S. § 20-462(A).

3 7. By failing to pay the full amount of applicable sales
4 taxes and/or license fees due on automobile claims, Country
5 Companies violated A.A.C. R20-6-801(H)(1)(b).

6 8. By failing to document deductions taken from ACV in in
7 settling three first party total loss auto claims, Country
8 Companies violated A.A.C. R20-6-801(H)(1)(c).

9 ORDER

10 Country Companies having admitted the jurisdiction of the
11 Director to enter this Order, having waived the Notice of
12 Hearing, and having consented to the entry of the Order set
13 forth, and there being no just reason for delay:

14 **IT IS ORDERED THAT:**

15 1. Within 30 days of the filed date of this Order,
16 Country Companies shall refund to the insureds of Policies
17 #AO2A6099510, AO2A6032120 and AO2K7506220, amounts overcharged
18 totalling \$91.12 plus interest at the rate of 10 percent per
19 annum from the dates of the overcharges to the dates of the
20 refunds.

21 2. Within 30 days of the filed date of this Order,
22 Country Companies shall pay to the insured of Subrogation File
23 400-011677 the amount of \$107.50, plus interest at the rate of
24 10 percent per annum from the date the subrogation amount was
25 received to the date the amount was paid to the insured.

26 3. Within 30 days of the filed date of this Order,
27 Country Companies shall pay interest to the insureds of the
28 claims listed in the upper portion of Exhibit 9 of the Report

1 (attached to this Order as Exhibit A) at the rate of 10 percent
2 per annum from the date each claim was received to the date the
3 amount of the claim was paid to the insured.

4 4. Within 30 days of the filed date of this Order,
5 Country Companies shall pay to the claimants of the total loss
6 files listed in the lower portion of Exhibit 9 of the Report
7 (attached to this Order as Exhibit A) the full amount of
8 applicable sales taxes and license fees not paid on first party
9 total loss claims, totalling \$912.31 plus interest on the unpaid
10 amount at the rate of ten percent (10%) per annum calculated
11 from the date the claims were received by Respondent to the date
12 of repayment.

13 5. Within 30 days of the filed date of this Order,
14 Country Companies shall pay to the claimants of the total loss
15 files listed on Exhibit 10 of the Report (attached to this Order
16 as Exhibit B) the full amount the claim not previously paid,
17 plus any sales taxes due, totalling \$2,690.25 plus interest on
18 that amount at the rate of ten percent (10%) per annum
19 calculated from the date the claims were received by Respondent
20 to the date of repayment.

21 6. The payments listed in Paragraphs 1, 2, 3, 4 and 5 of
22 this Order shall be accompanied by a letter to each insured
23 acceptable to the Director. A list of payments, giving the name
24 and address of each party to whom payments were made, the base
25 amount of the payment, the amount of interest paid, and the date
26 of payment, shall be provided to the Department within 45 days
27 of the filed date of this Order.

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

7. The Department shall be permitted, through authorized representatives, to verify that Country companies has fully complied with all requirements of this Order.

8. Country Companies shall pay a civil penalty of Two Thousand Dollars (\$2,000) 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). The civil penalty shall be provided to the Market Conduct Examinations Division of the Department prior to the filing of this Order.

9. The May 26, 1995 Report of Examination, and the letter filed in response by Country Companies, shall be filed with the Department after the Director has executed this Order.

DATED at Phoenix, Arizona this 6th day of August, 1996.

 Chris Herstam, DEP. DIR.
Chris Herstam
Director of Insurance

.
.
.
.
.

CONSENT TO ORDER

1
2 1. Respondents, Country Mutual Insurance Company and
3 Country Casualty Insurance Company, have reviewed the foregoing
4 Consent Order.

5 2. Respondents are aware of their right to a hearing at
6 which hearing they may be represented by counsel, present
7 evidence and cross-examine witnesses. Respondents have
8 irrevocably waived its right to such public hearing and to any
9 court appeals relating thereto.

10 3. Respondents admit the jurisdiction of the Director of
11 Insurance, State of Arizona, and consent to the entry of this
12 Consent Order.

13 4. Respondents states that no promise of any kind or
14 nature whatsoever was made to them to induce them to enter into
15 this Consent Order and that they have entered into this Consent
16 Order voluntarily.

17 5. Respondents acknowledge that the acceptance of this
18 Order by the Director of Insurance, State of Arizona, is
19 solely for the purpose of settling this matter against them and
20 does not preclude any other agency or officer of this state or
21 subdivision thereof from instituting other civil or criminal
22 proceedings as may be appropriate now or in the future.

23 6. Charles L. Jones _____, who holds the office
24 of Vice President & General Manager _____ of Respondents, is authorized to
25 enter into this Order for them and on their behalf.

26 July 16, 1996

27 (Date)



COUNTRY MUTUAL INSURANCE COMPANY
COUNTRY CASUALTY INSURANCE COMPANY

1 COPY of the foregoing mailed/delivered
2 this 7th day of August , 1996, to:

3 Charles R. Cohen
4 Deputy Director
5 Gregory Y. Harris
6 Executive Assistant Director
7 Erin H. Klug
8 Chief Market Conduct Examiner
9 Saul R. Saulson
10 Examinations Supervisor
11 Market Conduct Examinations Division
12 Mary Butterfield
13 Assistant Director
14 Life & Health Division
15 Deloris E. Williamson
16 Assistant Director
17 Rates & Regulations Division
18 Gary Torticill
19 Assistant Director and Chief Financial Examiner
20 Corporate & Financial Affairs Division
21 Cathy O'Neil
22 Assistant Director
23 Consumer Services Division
24 John Gagne
25 Assistant Director
26 Investigations Division
27 Dean Ehler
28 Supervisor
Property and Casualty Section
Lynda Aguila
Assistant Examiner

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

Matthew J. Kopff, Controller
Country Companies Insurance Group
1701 Towanda Avenue
Bloomington, Illinois 61701-2040

Curney Walters Burton

FIRST PARTY TOTAL LOSS SETTLEMENTS

A.R.S. 20-462 (A)

Delayed Payment of Loss

<u>Claim Number</u>	<u>Date of Loss</u>	<u>Date Reported</u>	<u>Date Paid</u>	<u># Days</u>
400-006436	8/7/91	8/8/91	9/19/91	41
401-004585	8/27/94	8/29/94	10/31/94	62
401-001670	8/11/93	8/12/93	11/10/93	89
<u>3 Files</u>				

A.A.C. R4-14-801 (H)(1)(b) (now A.A.C. R20-6-801 (H)(1)(b))

Incorrect taxes and or fees paid

<u>Claim Number</u>	<u>Date of Loss</u>	<u>Taxes/Fee Paid</u>	<u>Taxes/Fee Due</u>	<u>Due Insured*</u>
401-000587	2/14/93	\$300.50	\$416.25	\$115.75
401-000573	2/18/93	\$310.40	\$430.11	\$119.71
400-012774	10/31/92	\$399.25	\$554.50	\$155.25
401-000010	11/14/92	\$203.68	\$280.71	\$ 77.03
401-000223	12/22/92	\$456.70	\$531.40	\$ 74.70
401-000797	3/27/93	\$946.84	\$1103.23	\$156.39
401-004127	7/5/93	\$ 95.50	\$130.25	\$ 34.75
400-020392	12/26/94	\$ 95.26	\$113.04	\$ 17.78
400-018381	5/12/94	\$162.94	\$323.89	\$160.95
<u>9 Files</u>			<u>Total Due Insureds</u>	<u>\$912.31</u>

*Interest at the rate of 10% per annum must be added to the amount due.

A.A.C. R4-14-801 (H)(1)(c) (now A.A.C. R20-6-801 (H)(1)(c))

Unsupported deductions from Actual Cash Value

Claim Number -----	Date of Loss -----	Amount Due Insured* -----
400-012350	10/6/92	\$875.75
402-000121	8/15/93	\$1334.50
402-000694	11/18/93	\$480.00
-----		-----
3 Files	Total Due	\$2690.25

*Interest at the rate of 10% per annum must be added to the amount due.