

JUL 23 2002

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY                     

In the Matter of:

**WORKMEN'S AUTO INSURANCE COMPANY,**

NAIC # 13250,

Respondent.

) Docket No. 02A-132-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Workmen's Auto Insurance Company ("Workmen's Auto"). In the Report of Examination of the Market Conduct Affairs of Workmen's Auto, the Examiners allege that Workmen's Auto violated A.R.S. §§20-443, 20-461, 20-466.03, 20-1631, 20-2110 and A.A.C. R20-6-801.

Workmen's Auto 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. Workmen's Auto is authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of Workmen's Auto. The on-site examination covered the time period from January 1, 2001 to December 31, 2001 and was concluded on March 22, 2002. Based on their findings, the Examiners prepared the "Report of Examination of the Market Conduct Affairs of Workmen's Auto Insurance Company" dated March 22, 2002.

3. The Examiners reviewed 48 of 121 personal automobile policy files canceled at the Company's election and 48 of 66 personal automobile policy files

1 nonrenewed by the Company during the time frame of the examination and found as  
2 follows:

3 a. Workmen's Auto failed to provide 93 insureds with a Summary of  
4 Rights following the cancellation or nonrenewal of their coverage.

5 b. Workmen's Auto nonrenewed 45 policies that had been in force  
6 more than 60 days for invalid reasons and failed to adhere to the nonrenewal  
7 provisions of its policies.

8 4. The Examiners reviewed five claim forms used by the Company during  
9 the time frame of the Examination and found that Workmen's Auto failed to include the  
10 required fraud warning statement on any of the forms.

11 5. The Examiners reviewed 52 first party automobile total loss claim files  
12 processed by the Company during the time frame of the Examination and found that  
13 Workmen's Auto failed to include all taxes and fees incident to evidence of ownership  
14 of a comparable automobile in 36 files.

15 6. The examiners reviewed three third party automobile total loss claim files  
16 processed by the Company during the time frame of the Examination and found that  
17 Workmen' Auto failed to include all sales taxes and license fees to one claimant.

18 7. Workmen's Auto's failure to pay all taxes and fees to first and third party  
19 automobile total loss claimants resulted in 37 claims being underpaid a total of  
20 \$2,087.98. Workmen's Auto's failure to properly rate one personal automobile policy  
21 resulted in the policyholder being overcharged a total of \$15.00.

#### 22 **CONCLUSIONS OF LAW**

23 1. Workmen's Auto violated A.R.S. §20-2110(A) by failing to provide  
24 insureds with a Summary of Rights following the cancellation or nonrenewal of their  
25 personal automobile coverage.

2. Workmen's Auto violated A.R.S. §§20-443(1) and 20-1631(D) by  
cancelling personal automobile policies for reasons not permitted by law and not

1 consistent with the terms of the policy.

2 3. Workmen's Auto violated A.R.S. §20-466.03 by failing to include the  
3 required fraud warning statement on its claim forms.

4 4. Workmen's Auto violated A.A.C. R20-6-801(H)(1)(b) and A.R.S §20-  
5 461(A)(6) by not paying all applicable taxes and fees on first party automobile total  
6 losses.

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

9 **ORDER**

10 **IT IS HEREBY ORDERED THAT:**

11 1. Workmen's Auto shall cease and desist from:

12 a. Failing to provide insureds a Summary of Rights when their  
13 personal automobile coverage is cancelled or nonrenewed.

14 b. Nonrenewing personal automobile policies for reasons not  
15 permitted by law or not consistent with the terms of the policy.

16 c. Failing to include the required fraud warning statement on its claim  
17 forms.

18 d. Failing to pay all applicable taxes and fees on first party  
19 automobile total losses.

20 2. Within 90 days of the filed date of this Order, Workmen's Auto shall  
21 submit to the Arizona Department of Insurance, for approval, evidence that corrections  
22 have been implemented and communicated to the appropriate personnel, regarding the  
23 issues outlined in Paragraph 1 of the Order section of this Consent Order. Evidence of  
24 corrective action and communication thereof includes, but is not limited to, memos,  
25 bulletins, E-mails, correspondence, procedures manuals, print screens, and training  
materials.

3. Within 90 days of the filed date of this Order, Workmen's Auto shall pay

1 the 38 insureds and claimants listed in Exhibit A of this Order \$2,102.98, plus interest  
2 at the rate of ten percent per annum. A letter previously approved by the Director shall  
3 accompany all payments. A list of payments, giving the name and address of each  
4 party paid, the amount of the payment, the amount of interest paid, and the date of  
5 payment, shall be provided to the Department within 90 days of the filed date of this  
6 Order.

7 4. The Department shall be permitted, through authorized representatives,  
8 to verify that Workmen's Auto has complied with all provisions of this Order.

9 5. Workmen's Auto shall pay a civil penalty of \$23,150.00 to the Director for  
10 remission to the State Treasurer for deposit in the State General Fund in accordance  
11 with A.R.S. §§ 20-220(B) and 20-456. The civil penalty shall be provided to the Market  
12 Conduct Examination Section of the Department prior to the filing of this Order.

13 6. The Report of Examination of the Market Conduct Affairs of Workmen's  
14 Auto Insurance Company as of March 22, 2002, including the letter of objection to the  
15 Report of Examination, shall be filed with the Department upon the filing of this Order.

16 DATED at Phoenix, AZ this 23<sup>rd</sup> day of July, 2002.

17  
18 

19 Charles R. Cohen  
20 Director of Insurance  
21  
22  
23  
24  
25

1 **EXHIBIT A**

2 **FIRST PARTY AUTOMOBILE TOTAL LOSS SETTLEMENTS**  
 3 **FAILED TO INCLUDE ALL APPLICABLE TAXES AND OTHER FEES**

4			Sales Tax	License Fees	
5	<u>Date of Loss</u>	<u>Claim Number</u>	<u>Due Insured</u>	<u>&amp; Other Fees</u>	<u>Total</u>
6				<u>Due Insured</u>	<u>Underpayment</u>
6	05/26/01	1020001496	-0-	\$ 13.75	\$ 13.75
7	09/05/01	1020002695	-0-	13.75	13.75
7	05/24/01	1020001440	-0-	13.75	13.75
8	05/08/01	1020001237	-0-	13.75	13.75
8	02/12/01	1020000490	-0-	13.75	13.75
9	04/26/01	1020001121	-0-	13.75	13.75
9	06/25/01	1020001873	-0-	13.75	13.75
10	06/20/01	1020001725	-0-	13.75	13.75
10	05/31/01	1020001494	-0-	13.75	13.75
11	05/06/01	1020001215	-0-	13.75	13.75
11	02/07/01	1020000456	-0-	13.75	13.75
12	01/25/01	1020000321	-0-	13.75	13.75
12	03/27/01	1020000829	-0-	13.75	13.75
13	04/06/01	1020000925	-0-	13.75	13.75
14	10/02/01	1020003012	-0-	13.75	13.75
14	07/01/01	1020001977	-0-	13.75	13.75
15	03/05/01	1020000627	-0-	13.75	13.75
15	08/28/01	1020002622	-0-	13.75	13.75
16	01/14/01	1020000221	-0-	13.75	13.75
16	08/21/01	1020002491	-0-	13.75	13.75
17	12/18/01	1020000070	-0-	13.75	13.75
17	07/15/01	1020002026	-0-	13.75	13.75
18	03/28/01	1020000863	-0-	13.75	13.75
18	11/02/01	1020003369	-0-	13.75	13.75
19	04/30/01	1020001186	-0-	13.75	13.75
19	04/13/01	1020000996	-0-	13.75	13.75
20	03/09/01	1020000662	-0-	13.75	13.75
20	01/22/01	1020000283	-0-	13.75	13.75
21	05/22/01	1020001387	0.59	13.75	14.34
22	04/04/01	1020000890	371.55	13.75	385.30
22	02/01/01	1020000399	928.05	13.75	941.80
23	04/09/01	1020000953	3.15	13.75	16.90
23	01/27/01	1020000328	6.62	13.75	20.37
24	01/20/01	1020000356	61.95	13.75	75.70
24	05/11/01	1020001280	0.45	13.75	14.20
25	04/23/01	1020001074	<u>27.00</u>	<u>13.75</u>	<u>40.75</u>
					\$1,882.36

1 **EXHIBIT A (Continued)**

2 THIRD PARTY AUTOMOBILE TOTAL LOSS SETTLEMENTS

3

4 <u>Date of Loss</u>	5 <u>Claim Number</u>	6 <u>Sales Tax Due Insured</u>	7 <u>License Fees &amp; Other Fees Due Insured</u>	8 <u>Total Underpayment</u>
9 04/29/01	10 1020001126	11 \$191.87	12 \$13.75	13 \$205.62

14 PERSONAL AUTOMOBILE PREMIUM OVERCHARGE

15

16 <u>Policy Number</u>	17 <u>Policy Effective Date</u>	18 <u>Total Overcharge</u>
19 AZ 000110097	20 10/30/01 – 4/30/02	21 \$15.00

22  
23  
24  
25

1  
2 **CONSENT TO ORDER**

3 1. Workmen's Auto Insurance Company has reviewed the foregoing Order.

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

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

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

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

19 6. ROBERT J. SHARP, who holds the office of  
20 PRESIDENT & CEO of Workmen's Auto Insurance Company, is authorized  
21 to enter into this Order for them and on their behalf.

22 **WORKMEN'S AUTO INSURANCE COMPANY**

23 7-8-02  
24 Date

By Robert J Sharp

1 **COPY of the foregoing mailed/delivered**

2 This 23rd day of July, 2002, to:

- 3
- 4 Sara Begley  
Deputy Director
- 5 Mary Butterfield  
Assistant Director  
Consumer Affairs Division
- 6 Paul J. Hogan  
Chief Market Conduct Examiner
- 7 Deloris E. Williamson  
Assistant Director  
Rates & Regulations Division
- 8 Steve Ferguson  
Assistant Director  
Financial Affairs Division
- 9 Nancy Howse  
Chief Financial Examiner
- 10 Alexandra Shafer  
Assistant Director  
Life & Health Division
- 11 Terry L Cooper  
Fraud Unit Chief

12

13

14

15

16

17 DEPARTMENT OF INSURANCE  
2910 North 44<sup>th</sup> Street, Second Floor  
Phoenix, AZ 85018

18

19

20 Theodore W. Budlong, Sr. Vice President  
Workmen's Auto Insurance Company  
714 West Olympic Boulevard  
Los Angeles, CA 90015

21

22 

23