



1 of Examination of the Market Conduct Affairs of OPAC ("the  
2 Report") was written.

3 3. The Examiners reviewed 74 of the 546 OPAC personal  
4 automobile policies with effective dates of January 26, 1994  
5 through September 3, 1994. As to these, OPAC:

6 a. issued 17 policies where all drivers on the  
7 policies were 65 or older, at the rate for "operators age 50 or  
8 older"; and

9 b. failed to apply correct territorial  
10 classifications to 3 policies (4.5%), resulting in one (1)  
11 insured paying \$53 more than he would have paid, and one (1)  
12 insured paying \$28 less than he would have paid, had OPAC  
13 determined the premium using its filed rates and rules.

14 4. The Examiners reviewed 7 of the 45 dwelling fire  
15 policies in force as of August 16, 1994. As to these, OPAC  
16 issued 3 policies (43%) at rates not consistent with OPAC's  
17 filed rates, resulting in two (2) insureds paying a total of \$51  
18 more than they would have paid, and one (1) insured paying \$41  
19 less than he would have paid, had OPAC determined the premium  
20 using its filed rates and rules.

21 6. The examiners reviewed 18 of the 20 OPAC personal  
22 umbrella policies in force as of August 16, 1994. Of these,

23 a. vehicles such as vans, motorhomes and motorcycles  
24 which were rated in seven (7) policies (39%) as "recreational  
25 Vehicles" although that term was defined by the policy as "not  
26 required to be licensed for highway use"; and

27 b. one (1) policy (5.6%) was rated using an  
28 incorrect territory classification.

1           7.    The Examiners reviewed 111 personal automobile policy  
2 cancellations and non-renewals of the 1358 issued from January  
3 22, 1988 through August 3, 1994.  Of these,

4           a.    OPAC failed to provide specific facts  
5 constituting the reasons for 2 of the 59 cancellations for  
6 underwriting-related reasons (3.4%).

7           b.    OPAC nonrenewed 3 policies for nonpayment of  
8 premium without stating the reason for nonrenewal, without  
9 providing a grace period of at least 7 days after the due date  
10 prior to nonrenewal, and without mailing a notice of nonrenewal  
11 to each insured on the effective date of nonrenewal.

12           c.    OPAC nonrenewed 10 policies without providing a  
13 grace period of at least 7 days after the due date prior to  
14 nonrenewal, and without mailing a notice of nonrenewal to each  
15 insured on the effective date of nonrenewal.

16           d.    OPAC cancelled 2 policies which had been in force  
17 for 60 days or more for reasons other than those stated in  
18 A.R.S. § 20-1632(C).

19           e.    In its notices of cancellation or nonrenewal,  
20 OPAC stated that a deposit of \$10.00 must accompany any  
21 complaint to the Director.

22           8.    OPAC cancelled or nonrenewed 1,182 homeowner policies  
23 from April 2, 1988 through August 2, 1994.  Of these, OPAC  
24 nonrenewed one (1) policy due to the condition of the dwelling  
25 but failed to allow the insured 30 days to remedy the identified  
26 condition.

27           9.    The Examiners reviewed 11 of OPAC's first-party  
28 automobile total loss claim files.  As to these, OPAC failed to

1 pay 4 claimants (36%) a total of \$782.42 for applicable taxes,  
2 license fees and other fees incident to transfer of evidence of  
3 ownership of a comparable automobile. OPAC has since paid these  
4 claimants the amounts due them, plus interest at the rate of 10%  
5 per annum.

6 CONCLUSIONS OF LAW

7 1. By issuing personal automobile, dwelling fire, and  
8 excess liability policies at premiums other than based upon its  
9 filed rates and rules, OPAC violated A.R.S. § 20-385(A).

10 2. By failing to provide specific facts constituting the  
11 reasons for cancellations and nonrenewals of personal auto  
12 policies, OPAC violated A.R.S. § 20-1632(A)(1).

13 3. By failing to allow grace periods of at least 7 days  
14 before cancelling or nonrenewing personal auto policies, OPAC  
15 violated A.R.S. § 20-1632.01(A).

16 4. OPAC violated A.R.S. § 20-1632.01(B) by failing to  
17 mail notices of cancellation or nonrenewal for nonpayment of  
18 premium to insureds on the effective date of cancellation or  
19 nonrenewal.

20 5. OPAC violated A.R.S. § 20-1632(C) by cancelling  
21 personal auto policies which had been in force for 60 days or  
22 more for reasons other than those stated therein.

23 6. By stating in its notices of cancellation or  
24 nonrenewal for underwriting-related reasons that a deposit of  
25 \$10.00 must accompany any complaint to the Director concerning  
26 the cancellation or nonrenewal, OPAC violated A.R.S. §  
27 20-1632(A)(2).

28 . . . . .



1 (c) failing to mail a notice of cancellation or  
2 nonrenewal on the effective date of the cancellation or  
3 nonrenewal;

4 (d) stating in any of its notices of cancellation or  
5 nonrenewal that a deposit of \$10.00 must accompany any complaint  
6 to the Director concerning the cancellation or nonrenewal; and

7 (e) failing to pay all first-party total loss  
8 claimants for all applicable taxes, license fees and other fees  
9 incident to transfer of evidence of ownership of a comparable  
10 automobile.

11 2. Within thirty (30) days of the filed date of this  
12 Order, OPAC shall file with the Rates and Regulations Division  
13 of the ADOI a modification of its rating rules to clarify  
14 whether drivers age 65 or over should be rated differently from  
15 drivers over age 50 but younger than 65.

16 3. Within thirty (30) days of the filed date of this  
17 Order, OPAC shall file with ADOI its notices of cancellation and  
18 non-renewal, modified to delete any reference to a deposit of  
19 \$10.00 where complaints are made to the Director with regard to  
20 the cancellation or non-renewal.

21 4. Within sixty (60) days of the filed date of this  
22 Order, OPAC shall submit to the Director written action plans to  
23 monitor and ensure that:

24 (a) all personal auto, dwelling fire, and excess  
25 liability policies are issued on the basis of its filed rates  
26 and rules in compliance with A.R.S. § 20-385;

27 (b) policy cancellations and nonrenewals for  
28 nonpayment of premium are issued in accordance with A.R.S. §

1 20-1632.01. OPAC shall include within this action plan notices  
2 of cancellation and nonrenewal drafted in accordance with this  
3 statute;

4 (c) its claims personnel and independent adjusters  
5 pay first-party total loss claimants for applicable taxes,  
6 license fees and other fees in compliance with A.R.S. §§ 20-461  
7 and A.A.C. R4-14-801(H).

8 5. Within sixty (60) days from the filed date of this  
9 Order, OPAC shall make refunds to its insureds for premium  
10 overcharges as follows:

11 A93029036, \$53.00  
12 F94005905, 31.00  
13 F9401280, 20.00.

14 OPAC shall pay these insureds interest on the above amounts at  
15 the rate of ten percent (10%) per annum, calculated from the  
16 date the premium was paid by the insured to the date of  
17 payment. Each of these refunds shall be accompanied by a letter  
18 to the insured in a form acceptable to the Director. A list of  
19 refunds, giving the name and address of the party to whom the  
20 refund was made, the amount of the refund, the amount of  
21 interest paid, and the date of payment, shall be provided to the  
22 ADOI within seventy (70) days of the filed date of this Order.

23 6. The ADOI shall be permitted, through authorized  
24 representatives, to verify that OPAC has complied with all  
25 provisions of this Order, and the Director may separately order  
26 OPAC to comply.

27 7. OPAC shall pay a civil penalty of ~~Five~~ <sup>FOUR</sup> Thousand One  
28 Hundred Dollars (~~\$5,100~~) to the Director for remission to the  
State Treasurer for deposit in the State General Fund in

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accordance with A.R.S. § 20-220(B). This civil penalty shall be provided to the Market Conduct Examinations Division of the ADOI on or before June 5, 1995.

8. The Report of Examination of the Market Conduct Affairs of OPAC as of September 16, 1994, including the response to the Report submitted by Respondents, shall be filed with the ADOI.

DATED at Phoenix, Arizona this 3rd day of August, 1995.

  
Chris Herstam  
Director of Insurance

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COPY of the foregoing mailed/delivered  
this 3rd day of August , 1995, to:

- Charles R. Cohen  
Deputy Director
- Gregory Y. Harris  
Executive Assistant Director
- Erin Klug  
Executive Assistant to the Director
- Jimmy R. Potts  
Examinations Coordinator  
Market Conduct Examinations Division
- Saul Saulson  
Supervisor  
Market Conduct Examinations Division
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Assistant Director  
Rates & Regulations Division
- Gary Torticill  
Assistant Director and Chief Financial Examiner  
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