

APR 4 1997

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY CB

In the Matter of)	Docket No. 97A-070
)	
INFINITY INSURANCE COMPANY)	CONSENT ORDER
)	
Respondent.)	
-----)		

Market Conduct Examiners (the "Examiners") for the Arizona Department of Insurance (the "Department") conducted a market conduct examination of Respondent Infinity Insurance Company, NAIC #22268, referred to in this Order as "Infinity." The Report of Market Conduct Examination (the "Report") prepared by the Examiners alleges that Infinity has violated Arizona Revised Statutes ("A.R.S.") §§ 20-443, 20-461, 20-462, 20-1631, and Arizona Administrative Code Rule ("A.A.C. R") 20-6-801.

Infinity wishes to resolve this matter without formal adjudicative proceedings and agrees to this Consent Order.

The Director of Insurance of the State of Arizona (the "Director") enters the following Findings of Fact and Conclusions of Law, which are neither admitted nor denied by Infinity, and the following Order. Specifically, Infinity does not admit any wrongdoing as to the claim referenced in Findings of Fact 3b and 4d, and the Director is not addressing whether any of Infinity's actions or failures to act regarding this claim constituted bad faith.

1. Respondents are authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.

1 2. The Examiners were authorized by the Director to
2 conduct a market conduct examination of Infinity. The on-site
3 examination was concluded on July 24, 1995.

4 3. The Examiners reviewed 106 of the 9,509 personal
5 automobile policies cancelled or non-renewed by Infinity from
6 January 1, 1994 through August 31, 1995. Of these, Infinity:

7 a. terminated three policies (3%) which had been in
8 effect for 60 days or more, for reasons other than those
9 permitted by A.R.S. § 20-1631(C).

10 b. failed to give one insured the grace period of
11 eight days required by the terms of its policy for the payment of
12 premium due prior to cancelling the policy. As a result,
13 Infinity denied coverage for an accident in which the insured was
14 involved during the grace period.

15 4. The Examiners reviewed all 124 first party total loss
16 claims settled by Infinity with loss dates from April 12, 1993
17 through June 19, 1995. Of these, Infinity failed to:

18 a. pay the full amount of applicable sales taxes and
19 license fees due on 37 claims (30%). The insureds were underpaid
20 by an aggregate of \$945.16.

21 b. pay eleven claims (9%) within thirty days of the
22 receipt of adequate proofs of loss with all information necessary
23 to pay the claims, and did not pay interest on the amounts of the
24 claims.

25 c. complete the investigation of eight claims (6%)
26 within thirty days after notification of the claims, and did not
27 document the claim files to indicate why the investigation could
28 not reasonably be completed within that time.

1 d. pay one claim which should have been paid
2 according to the terms of the policy.

3 5. The Examiners reviewed 41 of the 165 uninsured motorist
4 claims settled by Infinity, with loss dates from June 5, 1992
5 through June 13, 1995. Of these, Infinity failed to complete the
6 investigation of four claims (10%) within thirty days after
7 notification of the claims, and did not document the claim files
8 to indicate why the investigation could not reasonably be
9 completed within that time.

10 CONCLUSIONS OF LAW

11 1. By cancelling personal automobile policies which had
12 been in effect for sixty days or longer for reasons other than
13 permitted by statute, Infinity violated A.R.S. § 20-1631(C).

14 2. By failing to allow a personal automobile insured the
15 grace period of eight days set forth in the policy prior to
16 cancelling the policy for nonpayment of premium, Infinity
17 misrepresented the terms of the policy in violation of A.R.S. §
18 20-443(1).

19 3. By failing to pay the full amount of applicable sales
20 taxes and/or license fees due on automobile claims, Infinity
21 violated A.A.C. R20-6-801(H)(1)(b) and A.R.S. § 20-461(A)(6).

22 4. By failing to pay interest on claims not paid within
23 thirty days of the receipt of adequate proofs of loss with all
24 information necessary to pay the claims, Infinity violated A.R.S.
25 § 20-462(A).

26 5. By failing to complete the investigation of claims
27 within thirty days after notification of the claims, without
28 documenting the claim files to indicate why the investigation

1 could not reasonably be completed within that time, Infinity
2 violated A.A.C. R20-6-801(F) and A.R.S. § 20-461(A)(3).

3 6. By failing to pay one claim which should have been paid
4 according to the terms of the policy, Infinity violated A.A.C.
5 R20-6-801(D)(2).

6 ORDER

7 Infinity having admitted the jurisdiction of the Director to
8 enter this Order, having waived the Notice of Hearing, and having
9 consented to the entry of the Order set forth, and there being no
10 just reason for delay:

11 **IT IS ORDERED THAT:**

12 1. Infinity shall cease and desist from:

13 a. failing to pay the full amount of applicable sales
14 taxes and license fees due on automobile claims.

15 b. failing to pay interest on claims not paid within
16 thirty days of the receipt of adequate proofs of loss with all
17 information necessary to pay the claims.

18 c. failing to complete the investigation of claims
19 within thirty days after notification of the claims, without
20 documenting the claim files to indicate why the investigation
21 could not reasonably be completed within that time.

22 d. cancelling or non-renewing personal auto policies
23 for nonpayment of premium until the day after the seventh day of
24 the grace period, in accordance with policy terms. This
25 sub-paragraph shall not apply if Infinity files amended personal
26 auto policy cancellation provisions with the Department, which
27 clarify Infinity's stated intention that the notice of
28 cancellation or non-renewal is to be mailed and effective on the

1 seventh day of the grace period. Such filing shall be made
2 within 30 days of the filed date of this Order.

3 2. Infinity shall file amended personal auto policy
4 cancellation provisions with the Department, which clarify
5 Infinity's stated intention that the notice of cancellation or
6 non-renewal is to be mailed and effective on the seventh day of
7 the grace period. This filing shall be made within 30 days of
8 the filed date of this Order.

9 3. Within 30 days of the filed date of this Order,
10 Infinity shall submit to the Director a written action plan for
11 training and monitoring its claims personnel and monitoring
12 automobile total loss claims to ensure that, as required by
13 A.A.C. R20-6-801 and A.R.S. § 20-461, claims personnel:

14 a. complete the investigation of claims within thirty
15 days after notification of the claims or document the claim files
16 to indicate why the investigation could not reasonably be
17 completed within that time,

18 b. pay the full amount of applicable sales taxes and
19 license fees due on automobile claims, and

20 c. pay interest on claims not paid within thirty days
21 of the receipt of adequate proofs of loss with all information
22 necessary to pay the claims.

23 4. Within 30 days of the filed date of this Order,
24 Infinity shall re-open Claim #17051681, evaluate the claimant's
25 damages, and pay the claimant the amount determined to be due,
26 plus interest on that amount at the rate of ten percent (10%) per
27 annum calculated from the date the claim was received to the date
28 of repayment.

1 5. Within 30 days of the filed date of this Order,
2 Infinity shall pay to the claimants of the 37 total loss files
3 listed in Exhibit 3 of the Report of Examination (attached to
4 this Order as Exhibit A) the full amount of applicable sales
5 taxes and license fees not paid on first party total loss claims,
6 totalling \$945.16 plus interest on the unpaid amount at the rate
7 of ten percent (10%) per annum calculated from the date the
8 claims were received by Respondent to the date of repayment.

9 6. Within 30 days of the filed date of this Order,
10 Infinity shall pay to the 11 insureds listed in Exhibit 4 of the
11 Report of Examination (attached to this Order as Exhibit B)
12 interest on the amounts of their claims at the rate of ten
13 percent per annum from the date each claim was received to the
14 date the amount of the claim was paid to the insured.

15 7. Within 30 days of the filed date of this Order,
16 Infinity shall re-open Claim #17069206 and do the following:

17 a. pay to the claimant the amount of \$181.71, plus
18 interest on that amount at the rate of ten percent (10%) per
19 annum calculated from the date the claim was received to the date
20 of repayment.

21 b. rescind the February 17, 1995 subrogation demand
22 letter by sending a closing letter to the insured informing her
23 of the Company's error and stating that the Company has decided
24 not to pursue subrogation.

25 8. The payments listed in Paragraphs 3, 4, 5 and 6 of this
26 Order shall be accompanied by a letter to each insured acceptable
27 to the Director. A list of payments, giving the name and address
28 of each party to whom payments were made, the base amount of the

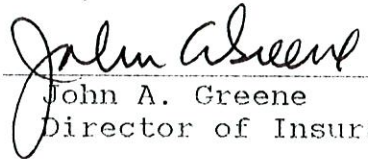
1 payment, the amount of interest paid, and the date of payment,
2 shall be provided to the Department within 45 days of the filed
3 date of this Order.

4 9. The Department shall be permitted, through authorized
5 representatives, to verify that Infinity has fully complied with
6 all requirements of this Order.

7 10. Infinity shall pay a civil penalty of Four Thousand
8 Five Hundred Dollars (\$4,500.00) to the Director for remission to
9 the State Treasurer for deposit in the State General Fund in
10 accordance with A.R.S. §20-220(B). The civil penalty shall be
11 provided to the Market Conduct Examinations Division of the
12 Department prior to the filing of this Order.

13 11. The July 24, 1995 Report of Examination, and the letter
14 filed in response by Infinity, shall be filed with the Department
15 after the Director has executed this Order.

16 DATED at Phoenix, Arizona this 4 day of April, 1997.

17 
18 John A. Greene
19 Director of Insurance
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1 COPY of the foregoing mailed/delivered
2 this 4th day of April , 1997, 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 Mary Butterfield
10 Assistant Director
11 Life & Health Division

12 Deloris E. Williamson
13 Assistant Director
14 Rates & Regulations Division

15 Gary Torticill
16 Assistant Director and Chief Financial Examiner
17 Corporate & Financial Affairs Division

18 Cathy O'Neil
19 Assistant Director
20 Consumer Services Division

21 John Gagne
22 Assistant Director
23 Investigations Division

24 Terry L. Cooper
25 Fraud Unit Chief

26 DEPARTMENT OF INSURANCE
27 2910 North 44th Street, Suite 210
28 Phoenix, AZ 85018

James R. Gober, CPCU, President
Infinity Insurance Company
P.O. Box 830189
Birmingham, Alabama 35283-0189

Cervey Baxter

INFINITY INSURANCE COMPANY

First Party Automobile Total Loss Claims

Tax and License

Violation of A.A.C. R20-6-801(H) (1) (b)

<u>Claim</u>	<u>Date of Loss</u>	<u>Company Paid</u>	<u>Should Have Paid</u>	<u>Tax</u>	<u>Fees</u>	<u>Total Due</u>	<u>Interest to 10-25-95</u>
17056915	12-14-93	4,340.18	4,346.45	4.52	1.75	6.27	1.14
17061325	05-11-94	2,142.06	2,162.00	6.19	13.75	19.94	2.90
17059486	03-15-94	10,728.81	10,735.05	5.49	.75	6.24	1.01
17066603	10-04-94	2,688.60	2,702.35		13.75	13.75	1.45
17063346	07-09-94	5,385.00	5,398.50		13.50	13.50	1.75
17066770	10-11-94	2,522.73	2,529.68	6.20	.75	6.95	.72
17061238	04-29-94	4,959.00	4,972.50		13.50	13.50	2.01
17058516	02-07-94	8,126.75	8,139.75	13.00		13.00	2.23
17066808	10-12-94	4,017.78	4,026.91	8.38	.75	9.13	.95
17061746	05-23-94	4,992.90	5,023.65	17.00	13.75	30.75	4.38
17062434	06-10-94	8,081.88	8,095.63		13.75	13.75	1.89
17059141	02-21-94	4,450.93	4,462.50	11.57		11.57	1.94
17064786	08-17-94	2,829.50	2,840.00	5.75	4.75	10.50	1.25
17056357	11-25-93	7,718.45	7,874.73	156.28		156.28	29.93
17061519	05-14-94	5,481.75	5,495.50		13.75	13.75	1.99
17060998	05-02-94	2,698.00	2,721.50	9.75	13.75	23.50	3.48
17054014	08-22-93	4,738.23	4,751.98		13.75	13.75	2.99
17071848	05-18-95	2,866.95	2,874.97	6.27	1.75	8.02	.35
17063873	07-24-94	8,623.94	8,688.75	64.31	.50	64.81	8.13
17071199	04-19-95	3,819.75	3,831.00	11.25		11.25	.58
17064950	06-22-94	5,919.05	5,956.75	24.20	13.50	37.70	5.06
17051547	04-14-93	9,116.75	9,125.75	9.00		9.00	2.28
17072298	06-19-95	5,168.30	5,182.05		13.75	13.75	.48
17063352	07-10-94	4,418.31	4,432.06		13.75	13.75	1.78
17055066	10-05-93	10,815.63	10,829.13		13.50	13.50	2.77
17061394	05-12-94	1,612.66	1,622.45		9.79	9.79	1.42
17064942	08-20-94	3,531.39	3,545.14		13.75	13.75	1.62
17061489	04-12-93	6,098.65	6,112.40		13.75	13.75	3.49
17067979	11-18-94	1,685.99	1,699.74		13.75	13.75	1.28
17054813	09-28-93	5,598.97	5,612.72		13.75	13.75	2.85
17063122	06-30-94	2,477.50	2,491.25		13.75	13.75	1.82
17061246	05-05-94	4,913.86	4,926.97	13.11		13.11	1.93
17069739	02-04-95	12,178.23	12,209.78	17.80	13.75	31.55	2.27
17067761	01-15-94	6,053.51	6,067.26		13.75	13.75	2.44
17051828	04-29-93	4,008.08	4,021.83		13.75	13.75	3.42
17058045	01-26-94	7,116.20	7,123.25	7.05		7.05	1.23
17062120	06-02-94	2,725.00	2,964.50	225.75	13.75	239.50	33.47
Total		194,651.27	195,596.43	622.87	322.29	945.16	140.68

INFINITY INSURANCE COMPANY

First Party Automobile Total Loss Claims

Untimely Claim Payments

Violation A.R.S. § 20-462

<u>Year</u>	<u>Claim Number</u>	<u>Number of Days</u>	<u>\$ Amount</u>	<u>\$ Interest as of 10-25-1995</u>
1993	17056347	50	3,900.00	53.43
1994	17064287	65	3,683.22	65.60
1994	17062434	281	8,081.88	622.00
1994	17060656	53	4,475.00	64.99
1994	17067643	114	1,195.14	37.33
1994	17066083	52	22,248.40	317.00
1994	17068938	131	3,078.14	110.49
1994	17062372	189	5,128.05	265.56
1994	17062350	203	11,288.45	627.89
1995	17069739	65	12,209.78	217.46
1995	17069016	59	1,626.35	26.29
Total 11				2,408.04