

1 amount of percentage adjustment given under the scheduled rating plan for five policies.

2 Therefore, the Examiners were unable to calculate the premiums which should have been paid
3 and determine any overcharges or undercharges.

4 4. The Examiners reviewed 25 general liability policies issued by Ranger that had
5 effective dates from September 25, 1995 to August 11, 1998. The Examiners issued criticisms of
6 these policies because:

7 a. Ranger failed to provide 60 days notice before the expiration date, of
8 premium increase, change in deductible or reduction in limits or coverage on ten policies.

9 b. Ranger failed to maintain documentation to support the amount of
10 percentage adjustment given under its schedule rating plan. Consequently, one insured was
11 overcharged by \$659.00.

12 5. The Examiners reviewed 56 commercial multi-peril policy files issued by Ranger
13 that had effective dates from September 19, 1995 to August 31, 1998. The Examiners issued
14 criticisms of these policies because:

15 a. Ranger failed to maintain documentation to support the percentage
16 adjustment given under one policy's individual risk premium modification plan and three
17 policies' schedule rating plan.

18 b. Ranger failed to provide 60 days notice before the expiration date, of
19 premium increase, change in deductible or reduction in limits or coverage, for two policies.

20 c. Ranger applied an unfiled premium for an endorsement entitled "Customer
21 Goods Legal Liability" on 34 policies.

22 d. Ranger applied an unfiled premium for an endorsement entitled "Sale and
23 Disposal Legal Liability" on 23 policies.

24 e. Ranger applied deductible factors that were inconsistent with its filing. As
25 a result, nine policyholders were overcharged \$360.00.

1 f. Ranger issued two policies for a term inconsistent with its filing. The
2 Company filed for a one-year policy term but issued the policies for a term less than one year.

3 6. The Examiners requested a run of all commercial excess (umbrella) policies
4 issued by Ranger during the period of the Examination (effective dates from September 1, 1995
5 through August 31, 1998). All 27 policies were criticized because Ranger applied unfiled rates.

6 7. The Examiners reviewed 43 cancelled and nonrenewed commercial policy files
7 issued by ranger with cancellation/nonrenewal dates from November 11, 1995 to August 18
8 1998. The Examiners issued criticisms of these policies because:

9 a. Ranger failed to send the notice of nonrenewal by certified mail to one
10 insured

11 b. Ranger failed to inform one insured that the Motor Vehicle Division had
12 been notified of the policy nonrenewal and the registration of the insured vehicle(s) was subject
13 to suspension.

14 8. The Examiners reviewed 64 aviation policy files issued by Ranger with
15 cancellation/nonrenewal dates from October 9, 1995 to August 11, 1998. The Examiners issued
16 criticisms of these policies because:

17 a. Ranger failed to provide one insured with a 60 day notice of cancellation.
18 In addition, Ranger failed to send the refund of unearned premium with the cancellation notice.

19 b. Ranger failed to send a notice of cancellation/nonrenewal by certified mail
20 to six insureds.

21 9. The Examiners reviewed 55 commercial claim files settled by Ranger with loss
22 dates from September 25, 1995 through August 19, 1998. The Examiners issued criticisms of
23 these claims because Ranger failed to include the fraudulent claim warning statement on its
24 claims forms for all 55 claimants.

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. . . .

1 8. By failing to send cancellation notices certified mail for aviation policies, Ranger
2 violated A.R.S. §20-1674(A).

3 9. By failing to send a nonrenewal notice by certified mail for an aviation policy,
4 Ranger violated A.R.S. § 20-1676(B).

5 10. By failing to provide a 60 advance notice to the insured, before the expiration date
6 of the policy, of premium increase, change in deductible or reduction in limits or substantial
7 reduction in coverage for general liability and commercial multi-peril policies, Ranger violated
8 A.R.S. § 20-1677(A).

9 11. By failing to notify an insured that the Motor Vehicle Division had been notified
10 of the policy nonrenewal and the registration of the insured vehicle(s) was subject to suspension,
11 Ranger violated A.R.S. 28-1262 (recodified to A.R.S. § 28-4148(f) on 10/1/97).

12 12. By failing to send an Affidavit of Total Loss to the Director of the Department of
13 Transportation for aviation total loss claims, Ranger violated A.R.S. 28-8343.

14 13. Grounds exist for the entry of the following Order, in accordance with A.R.S. §
15 20-220.

16 **ORDER**

17 **IT IS ORDERED THAT:**

- 18 1. Ranger shall:
- 19 a. maintain adequate justification in support of the percentage adjustment
20 given on schedule rating plans, individual and rate premium modification plans for commercial
21 automobile policies and general liability,
- 22 b. notify insureds at least 60 days before the expiration date of the policy of
23 premium increase, change in deductible or reduction in limits or substantial reduction in
24 coverage on the general liability and commercial multi peril policies.
- 25

1 c. not apply credits or debits in excess of the filed maximum under the
2 schedule rating plan of general liability policies.

3 d. not apply premiums that are not consistent with the Company's filings for
4 individual risk premium modification, schedule rating plans, Hazardous Contents Removal
5 endorsement, and deductible factors on the commercial multi peril policies.

6 e. not apply unfiled premiums for endorsements entitled "Customer Goods
7 Legal Liability" and "Sale and Disposal Legal Liability" on commercial multi-peril policies.

8 f. not issue commercial multi peril policies for policy terms different from
9 that which is filed with the Department.

10 g. not apply unfiled premiums for commercial excess (umbrella) policies

11 h. send notices of nonrenewal by certified mail for commercial and aviation
12 policies.

13 i. advise commercial automobile policy insureds on nonrenewal notices that
14 the Motor Vehicle Department has been notified of the nonrenewal and the insureds' motor
15 vehicle registration may be suspended.

16 j. provide 60 day notice of cancellation and include the refund of unearned
17 premium for aviation policies.

18 k. send notices of cancellation by certified mail for aviation policies.

19 l. include the Arizona fraudulent claims warning on all claim forms used in
20 the State of Arizona for commercial automobile, general liability, surety, businessowners,
21 commercial multi peril, and aviation policies.

22 m. send the Affidavit of Total Loss to the Director of the Department of
23 Transportation on aviation total loss claims.

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1 2. Within 90 days of filed date of this Order, Ranger shall submit to the Arizona
2 Department of Insurance, for approval, evidence that the following corrections have been
3 implemented and communicated to the appropriate personnel. Evidence of corrective action and
4 communication thereof includes but is not limited to memos, bulletins, E-mails, correspondence,
5 procedures manuals, print screens and training materials.

6 a. Institute or modify procedures to ensure compliance with A.R.S. §20-
7 400.01(A) regarding the failure to maintain adequate documentation justifying the percentage
8 adjustment given on schedule rating plans and individual rate premium modification plans in its
9 commercial automobile policies and general liability policies.

10 b. Institute or modify procedures to ensure compliance with A.R.S. §20-
11 1677(A) regarding the failure to notify insureds 60 days before the expiration date of the policy
12 of premium increase, change in deductible or reduction in limits or substantial reduction in
13 coverage in its general liability and commercial multi-peril policies.

14 c. Institute or modify procedures to ensure compliance with A.R.S. §§ 20-
15 400.01(A) regarding applying credits or debits in excess of the filed maximum under the
16 schedule rating plan in its general liability policies.

17 d. Institute or modify procedures to ensure compliance with A.R.S. §20-
18 400.01(A) regarding applying premiums that are not consistent with the Company filings for
19 individual risk premium modification, schedule rating plans, Hazardous Contents Removal
20 endorsement and deductible factors in its commercial multi peril policies.

21 e. Institute or modify procedures to ensure compliance with A.R.S. §20-
22 385(A) regarding applying unfiled premiums for endorsements entitled "Customer Goods Legal
23 Liability" and "Sale and Disposal Legal Liability" to its commercial multi peril policies.

24 f. Institute or modify procedures to ensure compliance with A.R.S. §20-
25 400.01(A) regarding issuing policies with policy terms other than those filed with the
Department on its multi peril policies.

1 g. Institute or modify procedures to ensure compliance with A.R.S. §20-
2 385(A) regarding applying unfiled premiums to its commercial excess (umbrella) policies.

3 h. Institute or modify procedures to ensure compliance with A.R.S. § 20-
4 1676(B) regarding the failure to send notices of nonrenewal by certified mail on its commercial
5 and aviation policies.

6 i. Institute or modify procedures to ensure compliance with A.R.S. § 28-
7 1262 (Recodified to A.R.S. § 28-4148(F) on 10/1/97) regarding the failure to advise insureds on
8 its commercial automobile nonrenewal notices, that the Motor Vehicle Department has been
9 notified of the nonrenewal, and the insureds' motor vehicle registration may be suspended.

10 j. Institute or modify procedures to ensure compliance with A.R.S. § 20-
11 1674(A) regarding the failure to provide 60 days notice of cancellation and the failure to include
12 the refund of unearned premium on an aviation policy.

13 k. Institute or modify procedures to ensure compliance with A.R.S. § 20-
14 1674(A) regarding the failure to send notices of cancellation by certified mail on its aviation
15 policies.

16 l. Modify its forms to ensure compliance with A.R.S. § 20-466.03 regarding
17 the failure to include the Arizona fraudulent claims warning on all claim forms used in the State
18 of Arizona on its commercial automobile, general liability, surety, businessowner, commercial
19 multi peril and aviation policies.

20 m. Institute or modify procedures to ensure compliance with A.R.S. § 28-
21 8343 regarding the failure to send the Affidavit of Total Loss to the Director of the Department
22 of Transportation on its aviation claims.

23 3. Within 90 days of the filed date of this Order, Ranger shall refund the following
24 overcharge amounts, plus interest at the rate of 10% per annum from the date of the overcharge
25 to the date of the refund:

a. \$659.00 to the insured listed in Exhibit A of this Order.

1 b. \$360.00, to the nine commercial multi peril insureds listed in Exhibit B of
2 this Order.

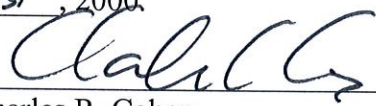
3 4. Each payment made in accordance with Item 3 above shall be accompanied by a
4 letter to the insured in a form previously approved by the Director. A list of payments, giving
5 the name and address of each party paid, the amount of the payment, the amount of interest paid,
6 and the date of payment, shall be provided to the Department within 90 days of the filed date of
7 this Order.

8 5. The Department shall be permitted, through authorized representatives, to verify
9 that Ranger has complied with all provisions of this Order.

10 6. Ranger shall pay a civil penalty of \$10,000.00 to the Director for deposit in the
11 State General Fund in accordance with A.R.S. § 20-220(B). This civil penalty shall be provided
12 to the Market Conduct Examinations Division of the Department prior to the filing of this Order.

13 7. The Report of Examination of the Market Conduct Affairs of Ranger dated
14 December 4, 1998, including the letter submitted in response to the Report of Examination, shall
15 be filed with the Department after the Director has filed this Order.

16 DATED at Phoenix, Arizona this 29th day of August, 2000.

17 
18 Charles R. Cohen
19 Director of Insurance

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CONSENT TO ORDER

1. Respondent Ranger Insurance Company has reviewed the attached Consent Order.

2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

3. Respondent is aware of its right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. Respondent irrevocably waives its right to such notice and hearing and to any court appeals related to this Order.

4. Respondent states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

5. Respondent acknowledges that the acceptance of this Order by the Director of Insurance, State of Arizona, is solely to settle this matter against it and does not preclude any other agency or officer of this state or its subdivisions or any other person from any other civil or criminal proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6. Sh. L. J. Broughton, who holds the office of Pres & CEO of Ranger Insurance Company, is authorized to enter into this Order for it and on its behalf.

RANGER INSURANCE COMPANY

By: Sh. L. J. Broughton

Aug. 21, 2000
Date

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GENERAL LIABILITY PREMIUM REFUND

A.R.S. § 20-400.01(B)(2)

<u>Policy Number</u>	<u>Amount</u>
GLO0675391	<u>\$ 659.00</u>
1 insured	\$ 659.00

EXHIBIT A

1 **COMMERCIAL MULTI-PERIL PREMIUM REFUNDS**

2 A.R.S. § 20-400.01(A)

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5 Policy Number Amount

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7 SSP0104057 \$ 55.00

8 SSP0105533 27.00

9 SSP0104400 41.00

10 SSP0104327 67.00

11 SSP0104033 20.00

12 SSP0106062 60.00

13 SSP0104484 55.00

14 SSP0105262 24.00

15 SSP0105756 11.00

16 9 insureds \$ 360.00

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EXHIBIT B

1 COPY of the foregoing mailed/delivered
2 This 29th day of August 2000, to:

3 Sara Begley
4 Deputy Director
5 Paul J. Hogan
6 Chief Market Conduct Examiner
7 Market Conduct Examinations Division
8 Mary Butterfield
9 Assistant Director
10 Consumer Affairs Division
11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
14 Kelly Stevens
15 Acting Assistant Director
16 Financial Affairs Division
17 Nancy Howse
18 Chief Financial Examiner
19 Terry L Cooper
20 Fraud Unit Chief

21 DEPARTMENT OF INSURANCE
22 2910 North 44th Street, Suite 210
23 Phoenix, AZ 85018

24 RANGER INSURANCE COMPANY
25 Wendy Germani, Vice President & Chief Actuarial
10777 Westheimer, 4th Floor
Houston, TX 77402

