

1 3. The Examiners reviewed 146 homeowner policies issued by the Company
2 that had effective dates from January 13, 1993 through September 19, 1996, and found
3 as follows:

4 a. Union failed to provide replacement cost coverage to one insured at no
5 additional cost, as required by policy terms. One insured was overcharged \$78.00.

6 b. Union applied an unfiled deductible of fifty dollars to 13 policies.
7 Union's filed rates and rules state that the base deductible is \$250 and that only a
8 lesser deductible of \$100 is available.

9 c. Union applied an incorrect protection class in determining the premium
10 of one policy. One insured was overcharged \$22.00.

11 d. Union issued six policies with increased limits, and charged premium
12 for increased limits, although increased limits had not been requested by the insureds.
13 Six insureds were overcharged by a total of \$276.00.

14 4. The Examiners reviewed 308 personal automobile policies issued by the
15 Company that had effective dates from January 1, 1993 through October 14, 1996, and
16 found that Union failed to adhere to its filed "whole dollar" rule in rating 147 policies.
17 147 insureds were undercharged a total of \$73.50.

18 5. The Examiners reviewed 531 personal auto and homeowners policies that
19 were canceled or nonrenewed by the Company that had effective dates from January 2,
20 1993 through October 14, 1996 and found that Union failed to send cancellation notices
21 on the effective dates of the cancellations, to 81 personal auto insureds whose policies
22 were cancelled for nonpayment of premium.

23 6. The Examiners reviewed all 45 first party automobile total loss claims settled
24 by the Company with loss dates from July 23, 1993 through February 5, 1996, and
25 found that Union failed to pay a total of \$1,002.14 to four first party claimants for

1 applicable taxes, license fees, and other fees incident to transfer of evidence of
2 ownership of a comparable automobiles.

3 7. The Examiners reviewed all 19 third party automobile total loss claims
4 settled by the Company and closed between March 20, 1993 and March 1, 1996, and
5 found that Union failed to pay any of the applicable taxes, license fees, and other fees
6 incident to transfer of evidence of ownership of a comparable automobiles to two
7 claimants. Two claims were underpaid by a total of \$214.03.

8 8. The Examiners reviewed 117 subrogation claim files closed by the Company
9 between January 30, 1992 and July 9, 1996, and found that, on four files, Union failed
10 to return any of the insureds' pro-rata share of the deductible after recovering funds
11 from the third party. Four claimants were underpaid in the amount of \$811.00.

12 **CONCLUSIONS OF LAW**

13 1. By determining personal automobile and homeowners insurance premiums
14 other than according to its filed rates and rules, Union violated A.R.S. § 20-385(A).

15 2. By failing to send cancellation notices to personal auto insureds on the
16 effective dates of the cancellations, Union violated A.R.S. § 20-1632.01(B).

17 3. By failing to pay first party claimants for all applicable taxes, license fees
18 and other fees incident to transfer of evidence of ownership of a comparable
19 automobile, Union violated A.A.C. R20-6-801(H)(1)(b) and A.R.S. § 20-461(A)(6).

20 4. By failing to pay third party claimants for all applicable taxes, license fees
21 and other fees incident to transfer of evidence of ownership of a comparable
22 automobile, Union violated A.R.S. § 20-461(A)(6).

23 5. By failing to return a pro-rata share of the deductible to insureds after
24 subrogation, Union violated A.A.C. R20-6-801(H)(4) and A.R.S. § 20-461(A)(6).

1 a. Institute or modify procedures to ensure compliance with A.R.S. § 20-
2 385(A) regarding the failure to apply filed rates to personal automobile and
3 homeowners policies

4 b. Institute or modify procedures to ensure compliance with of A.R.S. §
5 20-1632.01(B) regarding the failure to send a final notice of personal automobile policy
6 cancellation after the seven-day grace period.

7 c. Institute or modify procedures regarding the requirements of A.R.S. §§
8 20-461(A)(6), 20-462(A) and A.A.C. R20-6-801(H)(1)(b) and (H)(4) regarding the failure
9 to pay all appropriate taxes and fees and returning the pro rata recovery of subrogation.

10 3. Within 90 days of the filed date of this Order, Union shall refund the amount
11 of \$376.00 to the eight insureds listed in Exhibit A of this Order.

12 4. Within 90 days of the filed date of this Order, Union shall pay to the
13 claimants listed in Exhibit B of this Order the full amount of applicable sales taxes and
14 license fees not paid on the claims, totaling \$1,002.14.

15 5. Within 90 days of the filed date of this Order, Union shall pay to the
16 claimants listed in Exhibit C of this Order the full amount of applicable sales taxes and
17 license fees not paid on the claims, totaling \$352.63.

18 6. Within 90 days of the filed date of this Order, Union shall pay the claimants
19 listed in Exhibit D of this Order the pro-rata share of the deductible amount from funds
20 recovered from third parties, totaling \$811.00.

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

1 8. The Department shall be permitted, through authorized representatives, to
2 verify that Union has complied with all provisions of this Order.

3 9. Union shall pay a civil penalty of \$7,000 to the Director for deposit in the
4 State General Fund in accordance with A.R.S. § 20-220(B). The civil penalty shall be
5 provided to the Market Conduct Examinations Division of the Department prior to the
6 filing of this Order.

7 10. The Report of Examination of the Market Conduct Affairs of Union
8 Insurance Company of Providence dated December 27, 1996, including the letter
9 submitted by Union in response to the Report of Examination, shall be filed with the
10 Department after the Director has filed this Order.

11 DATED at Phoenix, Arizona this 13th day of October, 2000.

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13 _____
14 Charles R. Cohen
15 Director of Insurance

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CONSENT TO ORDER

1. Union Insurance Company of Providence has reviewed the foregoing Order.

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

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

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

6. Don Coughenower, who holds the office of Assistant Vice President of Union Insurance Company of Providence, is authorized to enter into this Order for it and on its behalf.

UNION INSURANCE COMPANY OF PROVIDENCE

10/9/00
Date

By: Don Coughenower

COPY of the foregoing mailed/delivered
This 16th day of October, 2000, to:

Sara Begley
Deputy Director
Paul J. Hogan
Chief Market Conduct Examiner
Market Conduct Examinations Section
Mary Butterfield
Assistant Director
Consumer Affairs Division
Deloris E. Williamson
Assistant Director
Rates & Regulations Division
Steve Ferguson
Assistant Director
Financial Affairs Division
Nancy Howse
Chief Financial Examiner
Terry L Cooper
Fraud Unit Chief

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

Mr. Carl Doot, Resident Vice President
Union Insurance Company of Providence
P.O. Box 5760
Peoria, AZ 85385-5760

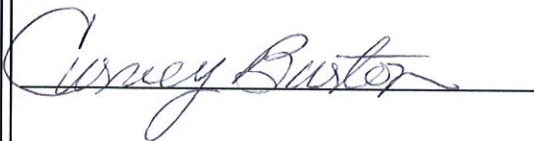


EXHIBIT A

HOMEOWNER POLICY PREMIUM REFUNDS

<u>Policy Number</u>	<u>Term</u>	<u>Amount</u>
F472917	8/96 - 8/97	\$ 78.00
F582533	11/93 -11/94	22.00
2719638	2/94 - 2/95	126.00
2719638	2/95 - 2/96	126.00
F647833	1/93 - 1/94	6.00
F647833	1/94 - 1/95	6.00
F647833	1/95 - 1/96	6.00
F647833	1/96 - 1/97	6.00
8 policies		\$376.00

EXHIBIT B

FIRST PARTY CLAIMS

<u>Claim Number</u>	<u>Amount</u>
JA3008029	\$ 575.81
JA4008421	377.50
JA6009784	34.65
JA5009218	14.18
4 claimants	\$1,002.14

EXHIBIT C

THIRD PARTY CLAIMS

<u>Claim Number</u>	<u>Amount</u>
JA4008421	\$153.50
JA5009124	199.13
2 claimants	\$352.63

EXHIBIT D

FIRST PARTY CLAIMS RECOVERED DEDUCTIBLES

<u>Claim Number</u>	<u>Amount</u>
JA5009342	\$74.00
JF1002628	161.00
JA2007641	76.00
JA5009282	500.00
4 claimants	\$811.00