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STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

STATE OF ARIZONA  
FILED  
JAN 18 2001  
DEPT. OF INSURANCE  
BY                     

In the Matter of ) Docket No. 01A-014-INS  
)  
**AMERICAN SUMMIT INSURANCE COMPANY** ) **CONSENT ORDER**  
NAIC #19623 )  
Respondent. )  
\_\_\_\_\_ )

8 A market conduct examination of the American Summit Insurance Company,  
9 ("American Summit") by Market Conduct Examiners ("the Examiners") for the Arizona  
10 Department of Insurance ("the Department"), covering the time period from January 1,  
11 1995 to December 1, 1996. Based upon the examination results, it is alleged that  
12 American Summit Insurance Company has violated A.R.S. § 20-443.

13 American Summit wishes to resolve this matter without formal adjudicative  
14 proceedings, admits that the following Findings of Fact are true, and consents to the  
15 entry of the following Conclusions of Law and Order.

16 **FINDINGS OF FACT**

17 1. American Summit is authorized to transact property and casualty insurance  
18 pursuant to a Certificate of Authority issued by the Director.

19 2. The Examiners were authorized by the Director to conduct a market conduct  
20 examination of American Summit. The on-site examination was concluded on January  
21 31, 1997. Based on their findings the Examiners prepared the "Report of the Market  
22 Conduct Affairs of American Summit Insurance Company" dated January 31, 1997.

23 3. American Summit issued 5,368 homeowner policies to policyholders  
24 previously insured by Heritage Indemnity Company (Heritage) under its Premier policy.  
25 Prior to the expiration of the Heritage Indemnity Company policies, American Summit's

1 general agent J.E. Murphy, Inc., which also acted as the general agent of Heritage, sent  
2 a letter to its subagents, advising them of Heritage's withdrawal from the Arizona mobile  
3 home insurance market. The letter stated that "That rates and the policy coverage will  
4 be similar to Heritage Indemnity Company."

5 4. The replacement American Summit Classic policies were sent to the  
6 Heritage insureds with the following:

7 a. A cover letter explaining that Heritage "has discontinued the writing of  
8 mobile home insurance in Arizona", the "conversion" to the Classic policy and some  
9 coverage differences. The letter stated "Your Classic policy provides full replacement  
10 cost on your mobile home, attached adjacent structures and also on personal property.  
11 If a serious loss occurs and your mobile home is destroyed by fire, we replace your  
12 mobile home with like, kind and quality or pay you the full amount of coverage under  
13 your policy. This protection is called "Full Replacement Cost Insurance"."

14 b. A stuffer that stated, "We feel that our Classic policy is the BEST in  
15 mobile home insurance."

16 5. The Examiners compared the replacement American Summit Classic policy  
17 and the Heritage Premier policy and found as follows:

18 a. The coverages provided by the Heritage Premier policy were greater  
19 than those provided by the American Summit Classic policy, which replaced it. The  
20 examiners found that:

21 i. The Heritage policy provided full replacement cost coverage of  
22 the mobile home, and attached adjacent structures, while the American Summit Classic  
23 policy did not provide for full replacement, but rather provided for coverage "not to  
24 exceed the amount of coverage A. shown on Part One of your policy."  
25



1           ii. Both the Heritage Premier policy and the American Summit  
2 Classic have limited coverage on certain items of personal property or effects.  
3 However, the American Summit Classic policy has a \$3,000 limit on personal property  
4 loss by robbery, theft or burglary while the Heritage Premier policy limit is the amount  
5 shown on the declarations, usually 50% of the amount of coverage on the mobile home.

6           iii. The American Summit Classic policy excludes physical damage  
7 for golf carts unless the optional coverage is purchased at a cost of \$35.00. The  
8 Heritage Premier policy includes physical damage for golf carts at no additional charge.

9           6. In August 1996, ASIC revised and re-filed its classic policy to provide  
10 coverages that were comparable to the HIC Premier policy.

11           7. The Examiners compared the revised ASIC Classic policy to the HIC  
12 Premier policy and found as follows:

13           a. The Heritage policy provided full replacement cost coverage of the  
14 mobile home, and attached adjacent structures, while the American Summit revised  
15 Classic policy did not provide for full replacement, but rather provided for coverage "not  
16 to exceed the amount of coverage A. shown on Part One of your policy".

17           b. The American Summit Classic policy excludes physical damage for  
18 golf carts unless the optional coverage is purchased at a cost of \$35.00. The Heritage  
19 Premier policy includes physical damage for golf carts at no additional charge.

20           8. American Summit offered another policy, the Elite policy, at the time the  
21 Heritage policies were rewritten in American Summit. The Elite policy offered broader  
22 coverage than the Classic policy and was more similar to the Premier policy. However,  
23 this is not the policy American Summit used when rewriting the Heritage business.  
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1 **CONCLUSIONS OF LAW**

2 1. By stating to its agents that the rates and coverages of American Summit's  
3 Classic policy would be similar to those of Heritage's Premier policy, although, in fact,  
4 they were not, American Summit misrepresented the terms of the Classic policy in  
5 violation of A.R.S. § 20-443(1).

6 2. By stating to insureds that "We feel that our Classic policy is the BEST in  
7 mobile home insurance" although it was inferior to the Heritage Premier policy which it  
8 replaced or the American Summit Elite Policy, American Summit misrepresented the  
9 terms of the Classic policy to the Heritage insureds for the purpose of inducing the  
10 insureds to convert their Heritage policies to American Summit Classic policies in  
11 violation of A.R.S. § 20-443(5).

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

14  
15 **ORDER**

16 **IT IS HEREBY ORDERED THAT:**

17 1. American Summit shall cease and desist from the following:

18 a. Stating that rates and coverages of any of its policies are similar to  
19 those of policies issued by other insurers, when they are not similar.


20 b. Stating that any of its policies is the "best" in mobile home insurance  
21 when factually it's not, or otherwise implying that any policy is superior to any other  
22 policy unless American Summit documents how the policy factually is the "best."

23 2. The Department shall be permitted, through authorized representatives, to  
24 verify that American Summit has complied with all provisions of this Order, and the  
25 Director may separately order American Summit to comply.

1           3. American Summit shall pay a civil penalty of \$8,000 to the Director for  
2 deposit in the State General Fund. This civil penalty shall be provided to the Market  
3 Conduct Examinations Section of the Department prior to the filing of this Order.

4           4. The Report of Examination of the Market Conduct Affairs of American  
5 Summit as of January 31, 1997, including the response to the Report of Examination,  
6 shall be filed with the Department after the Director has filed this Order.

7 DATED at Phoenix, Arizona this 18<sup>th</sup> day of January 2001.

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10 Charles R. Cohen  
11 Director of Insurance  
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1 **CONSENT TO ORDER**

2 1. American Summit Insurance Company has reviewed the foregoing Order.

3 2. American Summit Insurance Company admits the jurisdiction of the Director  
4 of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to  
5 the entry of the Conclusions of Law and Order.

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

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

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

18 6. James E. Murphy, who holds the office of Chairman of  
19 American Summit Insurance Company, is authorized to enter into this Order for it and  
20 on its behalf.

21 **AMERICAN SUMMIT INSURANCE COMPANY**

22 1/16/2001  
23 (Date)

24 By: James E. Murphy

1 COPY of the foregoing mailed/delivered  
2 This 18th day of January 2001, to:

3 Sara Begley  
4 Deputy Director  
5 Mary Butterfield  
6 Assistant Director  
7 Consumer Affairs Division  
8 Paul J. Hogan  
9 Chief Market Conduct Examiner  
10 Market Conduct Examinations Division  
11 Deloris E. Williamson  
12 Assistant Director  
13 Rates & Regulations Division  
14 Steve Ferguson  
15 Assistant Director  
16 Financial Affairs Division  
17 Alexandra Shafer  
18 Assistant Director  
19 Life & Health Division  
20 Nancy Howse  
21 Chief Financial Examiner  
22 Terry L Cooper  
23 Fraud Unit Chief  
24

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

Mr. J. E. Murphy, President  
American Summit Insurance Company  
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Scottsdale, AZ 85260-3107

