

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter Of
Safeco Insurance Group

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Docket No. 3671–MC

ORDER

Pursuant to the authority conferred upon the Commissioner of Insurance (“Commissioner”) by K.S.A. 40-222, Sandy Praeger, the duly elected and qualified and serving Commissioner of Insurance hereby adopts the Kansas Insurance Department’s Report of Market Conduct Examination of Safeco Insurance Group as of June 30, 2005, by incorporating the same in its entirety with specific findings stated as follows:

Findings of Fact

1. The Commissioner has jurisdiction over this matter pursuant to K.S.A. 40-222.
2. The Kansas Insurance Department completed a targeted market conduct examination of the Safeco Insurance Group (“Safeco”) which included a review of Safeco’s underwriting, complaint and settled claims files from January 1, 2004 to June 30, 2006.
3. On or about March 29, 2007, the Examiner-in-Charge provided Safeco with a draft of the Market Conduct Examination with a request to the company to respond in the form of written comments, additions or acceptance of the Market Conduct Examination by May 4, 2007.
4. Safeco timely responded with written comments regarding the Market Conduct Examination report on May 1, 2007 (Attachment B).
5. The Commissioner has since fully reviewed said Kansas report which is attached herein (Attachment A).
6. The Market Conduct Examination team (“MCE Team”) utilized the standards and tests established in the NAIC Market Regulation Handbook 2006. An acceptable tolerance standard of 7% was used for claims procedures and 10% was used for all other categories.

In the Matter of
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Docket No.3671-MC

UNDERWRITING AND RATING

7. **Standard 8: Termination Practices**

- a. Cancellation/non-renewal, discontinuances and declination notices comply with policy provisions and state laws and regulated entity guidelines.
 - i. Thirteen policies in a twenty-five policy sample were non-renewed because the agent no longer represented the company. There was no offer by Safeco to the policyholders to renew the policies.

Applicable Law

K.S.A. 40-276a provides, in pertinent part:

- (a) Any insurance company that denies renewal of an automobile liability insurance policy in this state shall give at least 30 days written notice to the named insured, at his last known address, or cause such notice to be given by a licensed agent of its intention not to renew such policy. No insurance company shall deny the renewal of an automobile liability insurance policy except in one or more of the following circumstances or as permitted in subsection (b):
 - (6) when any of the reasons specified as reasons for cancellation in K.S.A. 40-277 are existent, except that (A) when failure to renew is based upon termination of agency contract, obligation to renew will be satisfied if the insurer has manifested its willingness to renew, and (B) obligation to renew is terminated on the effective date of any other automobile liability insurance procured by the named insured with respect to any automobile designated in both policies.

K.S.A. 40-2,125 provides, in pertinent part:

- (a) If the commissioner determines after notice and opportunity for a hearing that any person has engaged or is engaging in any act or practice constituting a violation of any provision of Kansas insurance statutes or any rule and regulation or order thereunder, in which case the commissioner may in the exercise of discretion, order any one or more of the following:
 - (1) Payment of a monetary penalty of not more than \$1,000 for each and every act or violation, unless the person knew or reasonably should have known such person was in violation of the Kansas insurance statutes or any rule and regulation or order thereunder, in which case the penalty shall be not more than \$2,000 for each and every act or violation;

Conclusions of Law

Based upon the Findings of Fact enumerated in Paragraphs #1 through #7 and the Applicable Law above:

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

- a. The Kansas Insurance Department's Report of Market Conduct Examination of Safeco Insurance Group ("Safeco") as of June 30, 2005 is herein adopted in its entirety.
- b. Safeco's non-renewal of thirteen policies in a twenty-five policy sample due to the fact the agent no longer represented the company without offer to the policyholders to renew the policies constitutes a violation of K.S.A. 40-276a(a)(6).
- c. Pursuant to K.S.A. 40-2,125, Safeco shall pay a monetary penalty of ONE THOUSAND DOLLARS AND NO/100 (\$1,000.00) due and payable to the Kansas Insurance Commissioner on or before the 14th day from the date of this Order for the above-stated violation of K.S.A. 40-276a(a)(6).

IT IS SO ORDERED THIS 15th DAY OF JUNE 2007, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

By:

/s/ John W. Campbell
John W. Campbell
General Counsel

NOTICE OF RIGHTS

Safeco Insurance Group (“Safeco”) is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If Safeco desires a hearing, the company must file a written request for a hearing with:

John W. Campbell
General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

This request must be filed within fifteen (15) days from the date of service of this Order. If Safeco requests a hearing, the Kansas Insurance Department will notify the Company of the time and place of the hearing and information on procedures, right of representation, and other rights of the parties relating to the conduct of the hearing, before commencement of the same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event Safeco files a petition for judicial review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell
General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served the above and foregoing Order and Notice of Rights on this 15th day of June, 2007, by causing the same to be deposited in the United States mail, postage prepaid, addressed to the following:

Ms. Patty McCollum, CPCU
Assistant Vice President
Compliance Director
Safeco Property & Casualty Insurance Companies
Safeco Plaza
4333 Brooklyn Avenue NE
Seattle, WA 98185-0001

/s/ Zachary J.C. Anshutz
Zachary J.C. Anshutz
Staff Attorney