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BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

In the Matter of the Statutory Compliance
of Special Investigative Unit of

INTEGON NATIONAL INSURANCE
COMPANY, CA #3218-5

Respondent

File No.: 2017-12

CONSENT AGREEMENT AND ORDER

(Ins. Code §1874.24)

I

CONSENT AGREEMENT

A. The California Department of Insurance (CDI) issued a Notice of Noncompliance to Respondent Integon National Insurance Company (Integon) on October 18, 2017, alleging that Integon was not in compliance with the requirements of California Insurance Code §1875.24 and California Code of Regulations (CCR), Title 10, sections 2698.30 *et seq.* The Notice of Noncompliance, a copy of which is attached hereto as Exhibit A, was based on an SIU Final Report of Examination (Final Report) dated August 29, 2017.

B. Prior to issuance of the Final Report and Notice of Noncompliance, Integon prepared a Corrective Action and Compliance Plan (CACP) that resolved all of the matters cited by the CDI in the Final Report and the Notice of Noncompliance. The CACP has been accepted by the CDI

1 for all of the Findings. Pursuant to Insurance Code §1875.24 and CCR Title 10, sections 2591. *et*
2 *seq.* and 2698.42, the CDI proposed to assess, and Integon agreed to pay, a penalty in the amount
3 of \$11,500. An invoice for the penalty will be sent to Integon after entry of the Order set forth
4 below and payment of the penalty will be due to the CDI within 30 days of the date of the
5 invoice. The payment shall be mailed to the California Department of Insurance, Division of
6 Accounting, 300 Capitol Mall, 13th Floor, Sacramento, California 95814.

7 C. Integon waives a hearing on the Notice of Noncompliance and enters into this Consent
8 Agreement pursuant to Insurance Code section 1875.24(c)(3).

9
10 **ORDER**

11 PURSUANT TO THE CONSENT AGREEMENT SET FORTH ABOVE, IT IS
12 ORDERED, effective immediately, as follows:

- 13
14 1. The Consent Agreement is accepted by the Insurance Commissioner.
15 2. Integon's CACP is accepted.
16 3. Integon must implement and comply with the approved CACP.
17 4. A penalty of \$11,500 is assessed.

18
19 DATE: 4/22/18, 2018

DAVE JONES
Insurance Commissioner

20
21
22 By 

Integon National Insurance Company
CA #3218-5

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26 By _____
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Exhibit A

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BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

In the Matter of the Special Investigative
Unit of

INTEGON NATIONAL INSURANCE
COMPANY, CA #3218-5

File No.: 2017-12

NOTICE OF NONCOMPLIANCE

(Ins. Code §1874.24)

TO: INTEGON NATIONAL INSURANCE COMPANY

The California Department of Insurance (CDI) notifies you that it has completed an examination into the compliance of the Special Investigation Unit (SIU) of Integon National Insurance Company (Integon) and it has good cause to believe that Integon was not in compliance with the requirements of Insurance Code sections 1875.20 *et seq.* and California Code of Regulations, Title 10, Chapter 5, sections 2698.30 through 2698.40 (SIU Regulations.)

Pursuant to Insurance Code section 1875.24(a), this Notice of Noncompliance sets forth the manner and extent of the noncompliance and advises Integon of the following:

- (a) Its rights under Insurance Code section 1875.24(c);
- (b) The penalty that is due as a result of the noncompliance described herein;
- (c) The consequences of failing to exercise its rights under Insurance Code section 1875.24(c), including the issuance of an order imposing penalties.

Exhibit A

I

EXAMINATION AND NONCOMPLIANCE

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4 A. Commencing on or about August 17, 2015, the CDI conducted an examination into
5 whether Integon's SIU complies with the requirements of 1875.20 *et seq.* and the SIU
6 Regulations.

7 B. The CDI completed its examination on August 29, 2017 and in compliance with SIU
8 Regulation 2698.41, prepared an SIU Final Report of Examination (Final Report.) A copy of the
9 Final Report is attached hereto as Exhibit A.

10 C. The Final Report found that CDI has good cause to believe that Integon did not
11 comply with the requirements of Insurance Code sections 1875.20 *et seq.* and the SIU
12 Regulations for each of the following reasons:

- 13
14 1. Integon did not respond to written requests for documents/information received from the
15 CDI Fraud Division, County District Attorneys and/or other authorized governmental
16 agencies in calendar year 2014.
- 17 2. Integon's written integral anti-fraud procedures did not include instruction on all required
18 topics and were specific to claims personnel and not to all integral anti-fraud personnel.
- 19 3. Integon's written SIU investigation procedures were non-compliant with CCR
20 §2698.36(a).
- 21 4. Integon's SIU investigation cases did not include a complete and concise summary of the
22 investigation, including the investigator's findings regarding the suspected insurance fraud
23 and the basis for their findings.
- 24 5. Integon's electronic Suspected Fraud Referrals (eFD-1s) contained omissions and
25 incomplete synopses.
- 26 6. Integon's annual integral anti-fraud training material did not include all required topics.
- 27
28

Exhibit A

II

REQUIREMENT TO CORRECT NONCOMPLIANCE

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4 A. Pursuant to Insurance Code section 1875.24(a) and SIU Regulation 2698.41(c), Integon
5 submitted a corrective action and compliance plan (CACP) to the CDI demonstrating how
6 Integon has or will correct the violations set forth in Article I and how it will achieve compliance
7 with Insurance Code section 1875.24(a) and the SIU Regulations. CDI has accepted this CACP.
8

III

ASSESSMENT OF PENALTY

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12 A. Pursuant to Insurance Code section 1875.24(b), a penalty is due for the noncompliance set
13 forth in Article I above. The CDI has determined that the penalty is: \$11,500.
14

IV

NOTIFICATION OF STATUTORY RIGHTS AND NOTICE OF

EFFECT OF FAILURE TO EXERCISE RIGHTS

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19 A. Pursuant to Insurance Code section 1875.24(c), Integon may, within 30 days hereof do
20 one or more of the following:

- 21 1. Establish to the satisfaction of the CDI that some or all of the noncompliance matters
22 set forth in Article I do not exist;
- 23 2. Request a hearing contesting that some or all of the noncompliance matters set forth in
24 Article I do not exist;
- 25 3. Request a hearing objecting to some or the entire penalty set forth in Article III;
- 26 4. Enter into a consent order with the CDI to correct and maintain the corrective actions
27 for some or all of the noncompliance matters set forth in Article I within a time that will be
28 specified in the consent order.

Exhibit A

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B. A request for a hearing shall be submitted to the following addresses:

California Department of Insurance, Fraud Division
SIU Compliance Program
9342 Tech Center Drive, Suite 100
Sacramento, CA 95826

And

California Department of Insurance
Legal Branch, Fraud Liaison Bureau
45 Fremont Street, 21st Floor
San Francisco, CA 94105

C. If Integon fails to pay the penalty set forth in Article III or fails to request a hearing on the penalty; the Insurance Commissioner will issue an order requiring payment of the penalty within 30 days. If the penalty is not paid during such time, an additional penalty in the amount of \$1,000 per day shall be due pursuant to Insurance Code section 1875.24(d) without the issuance of a further order.

Date: October 18, 2017

CALIFORNIA DEPARTMENT OF INSURANCE

By *George Mueller*

Deputy Commissioner, Enforcement Branch