

No. 3991

**OFFICIAL ORDER  
of the  
TEXAS COMMISSIONER OF INSURANCE**

Date: JUN 01 2015

**Subject Considered:**

SAFECO GENERAL AGENCY, INC.  
1001 4th Avenue, Suite 800  
Seattle, Washington 98154

**CONSENT ORDER**  
TDI ENFORCEMENT FILE NO. 8410

**General remarks and official action taken:**

The commissioner of insurance considers whether disciplinary action should be taken against Safeco General Agency, Inc.

**WAVIER**

Safeco acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Safeco waives all of these rights and any other applicable procedural rights in consideration of the entry of this consent order.

**FINDINGS OF FACT**

1. Safeco is a managing general agency licensed by the Texas Department of Insurance since December 30, 2002.
2. Home State County Mutual Insurance Company (Home State) appointed Safeco to act as one of Home State's agents. Safeco produced private passenger automobile policies on behalf of Home State during the examination period.
3. The department conducted an examination of the conduct, performance, and practices of Safeco for the period of January 1, 2013, through December 31, 2013. The examination focused on a review of the private passenger automobile business produced by Safeco on behalf of Home State, and the sales, advertising and marketing, underwriting and rating, claims, practices, and consumer complaints and inquiries related to that business.
4. The purpose of the examination was to verify compliance with the Texas Insurance Code, Chapter 28 of the Texas Administrative Code, the Texas Automobile Rules and Rating Manual (Auto Manual), and the Texas Standard Provisions for Automobile Policies.

5. The findings of the examination are set out in the Examination Report dated August 5, 2014, which cited Safeco for violations of the Texas Insurance Code and the Texas Administrative Code.

### **Agreement with Insurer**

6. Safeco's underwriting and claims were handled by its personnel using the name of an affiliated insurer, General Insurance Company of America (General Insurance), on underwriting and claims correspondence. Safeco has agreed to standardize its notices to display the name of Home State as the insurer on its correspondence.
7. General Insurance does not have a written agreement with Home State permitting General Insurance to provide any services. However, Home State does have a reinsurance agreement with General Insurance to cede the business produced by Safeco to General Insurance.

### **Deficiencies in Agents' Licensing and Appointment**

8. TDI's examination found three agents not properly licensed by TDI.
9. TDI's examination found six agents not properly appointed by Home State.
10. Safeco's licensing and appointment violations are repeat violations that were also found during TDI's prior examination of Safeco, conducted from January 4, 2010, through June 21, 2010.

### **Uninsured or Underinsured Motorist (UM)/Personal Injury Protection (PIP) Rejections**

11. TDI's examination found two instances where Safeco failed to produce rejection forms for UM coverage.
12. TDI's examination found one instance where Safeco failed to produce rejection forms for UM and PIP coverage.
13. TDI's examination found eight instances where Safeco failed to produce rejection forms for PIP coverage.
14. Safeco's rejection form violations are repeat violations that were found during TDI's prior examination of Safeco, conducted from January 4, 2010, through June 21, 2010.

### **Prior Disciplinary Action**

15. TDI previously conducted an examination of Safeco from January 4, 2010, through June 21, 2010. TDI's 2009 examination found 23 producers not properly licensed and 52 not properly appointed. The examination further found six instances where Safeco did not

provide signed rejections from the insured for either UM or PIP coverage, so compliance with the Texas Insurance Code could not be ascertained.

16. As a result of the findings in TDI's 2009 examination, Safeco was the subject of official order no. 12-0588, dated June 26, 2012. Official order 12-0588 assessed a \$9,000 administrative penalty against Safeco.

### CONCLUSIONS OF LAW

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE chs. 801 and 912; TEX. INS. CODE §§ 38.001, 82.051-82.055 and 84.021-84.051; and TEX. GOV'T CODE §§ 2001.051-2001.178.
2. The commissioner has the authority to dispose of this matter informally, as set out in TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. Safeco violated TEX. INS. CODE §§ 541.052, 542.003(b)(4), 912.251, 1952.101, 1952.152, and 4051.051(a).

The commissioner orders Safeco General Agency, Inc. to pay an administrative penalty of \$25,000 within 30 days from the date of this order. Safeco General Agency, Inc. must pay the administrative penalty by cashier's check or money order payable to the State of Texas. Safeco General Agency, Inc. must mail the payment to the Texas Department of Insurance, Attn: Enforcement Section, Division 40111, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.

The commissioner further orders Safeco General Agency, Inc. to provide the department with a written plan of action that has been implemented or will be implemented, to prevent the future occurrence of the types of violations contained within this order. The written plan of action is due within 30 days from the date of this order. The commissioner further orders Safeco General Agency, Inc. to standardize its notices to display the name of Home State as the insurer on its correspondence.

  
\_\_\_\_\_  
David C. Mattax  
Commissioner of Insurance

APPROVED AS TO FORM AND CONTENT

  
\_\_\_\_\_  
Sarah White

Staff Attorney, Enforcement Section  
Texas Department of Insurance

AFFIDAVIT

STATE OF ILLINOIS §

COUNTY OF DUPAGE §

BEFORE ME, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

1. "My name is STEPHEN HYLKA. I am of sound mind, capable of making this statement, and personally acquainted with the facts stated herein.
2. I hold the office of DIRECTOR, STATE OPERATIONS. I am the authorized representative of Safeco General Agency, Inc. and am duly authorized to execute this affidavit.
3. Safeco General Agency, Inc. waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance of the state of Texas.
4. Safeco General Agency, Inc. has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the foregoing consent order by the commissioner of insurance of the state of Texas."

[Signature]  
Affiant

SWORN TO AND SUBSCRIBED before me on this 19th day of May, 2015.

[Signature]  
Signature of Notary Public

(NOTARY STAMP)

