

STATE OF ARIZONA  
FILED

OCT - 9 2013

DEPT. OF INSURANCE

**REPORT OF TARGET MARKET CONDUCT EXAMINATION**

**OF**

**SAFEWAY INSURANCE COMPANY**

**NAIC #12521**

**AS OF**

**December 31, 2012**

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**GERMAINE L. MARKS**  
Director of Insurance

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Honorable Germaine L. Marks  
Director of Insurance  
State of Arizona  
2910 North 44<sup>th</sup> Street  
Suite 210, Second Floor  
Phoenix, Arizona 85018-7269

Dear Director Marks:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of Arizona, a desk examination has been made of the market conduct affairs of the:

**Safeway Insurance Company**  
**NAIC #12521**

The above examination was conducted by Helene I. Tomme, CPCU, CIE, Market Examinations Supervisor, Examiner-in Charge, and Linda L. Hofman, AIE, MCM, FLMI, AIRC, CCP, Market Conduct Senior Examiner and Christopher G. Hobert, CIE, MCM, FLMI, AIRC, CCP, Market Conduct Senior Examiner.

The examination covered the period of January 1, 2012 through December 31, 2012.

As a result of that examination, the following Report of Examination is respectfully submitted.

Sincerely yours,

Helene I. Tomme, CPCU, CIE  
Market Examinations Supervisor  
Market Oversight Division

AFFIDAVIT

STATE OF ARIZONA )  
 )  
County of Maricopa ) ss.

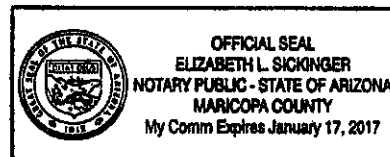
Helene I. Tomme, CPCU, CIE being first duly sworn, states that I am a duly appointed Market Examinations Examiner-in-Charge for the Arizona Department of Insurance. That under my direction and with my participation and the participation of Linda L. Hofman, AIE, MCM, FLMI, AIRC, CCP, Market Conduct Senior Examiner and Christopher G. Hobert, CIE, MCM, FLMI, AIRC, CCP, Market Conduct Senior Examiner on the Examination of Safeway Insurance Company, hereinafter referred to as the "Company" was performed at the office of the Arizona Department of Insurance. A teleconference meeting with appropriate Company officials in Mesa, Arizona and Westmont, Illinois was held to discuss this Report, but a copy was not provided to management as the Examination was incomplete and had not yet been finalized. The information contained in this Report, consists of the following pages, is true and correct to the best of my knowledge and belief and that any conclusions and recommendations contained in and made a part of this Report are such as may be reasonably warranted from the facts disclosed in the Examination Report.

Helene I. Tomme  
Helene I. Tomme, CPCU, CIE  
Market Examinations Supervisor  
Market Oversight Division

Subscribed and sworn to before me this 20<sup>th</sup> day of August, 2013.

Elizabeth L. Sickinger  
Notary Public

My Commission Expires January 17, 2017



## **FOREWORD**

This targeted market conduct examination report of the Safeway Insurance Company (herein referred to as, "SIC", or the "Company"), was prepared by employees of the Arizona Department of Insurance (Department) as well as independent examiners contracting with the Department. A market conduct examination is conducted for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the state of Arizona. The Examiners conducted the examination of the Company in accordance with Arizona Revised Statutes (A.R.S.) §§ 20-142, 20-156, 20-157, 20-158 and 20-159. The findings in this report, including all work products developed in the production of this report, are the sole property of the Department.

The examination consisted of a review of the following Private Passenger Auto (PPA) business operations:

1. Complaint Handling
2. Marketing and Sales
3. Producer Compliance
4. Underwriting and Rating
5. Cancellations and Non-Renewals
6. Claims Processing

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Director.

Failure to identify or criticize specific Company practices does not constitute acceptance of those practices by the Department.

## SCOPE AND METHODOLOGY

The examination of the Company was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (NAIC) and the Department. The market conduct examination of the Company covered the period of January 1, 2012 through December 31, 2012 for business reviewed. The purpose of the examination was to determine the Company's compliance with Arizona's insurance laws, and whether the Company's operations and practices are consistent with the public interest. This examination was completed by applying tests to each examination standard to determine compliance with the standard. Each standard applied during the examination is stated in this report and the results are reported beginning on page 8.

In accordance with Department procedures, the Examiners completed a Preliminary Finding ("Finding") form on those policies, claims and complaints not in apparent compliance with Arizona law. The finding forms were submitted for review and comment to the Company representative designated by Company management to be knowledgeable about the files. For each finding the Company was requested to agree, disagree or otherwise justify the Company's noted action.

The Examiners utilized both examinations by test and examination by sample. Examination by test involves review of all records within the population, while examination by sample involves the review of a selected number of records from within the population. Due to the small size of some populations examined, examinations by test and by sample were completed without the need to utilize computer software.

File sampling was based on a review of underwriting and claim files that were systematically selected by using Audit Command Language (ACL) software and computer data files provided by the Company. Samples are tested for compliance with standards established by the NAIC and the Department. The tests applied to sample data will result in an exception ratio, which determines whether or not a standard is met. If the exception ratio found in the sample is, generally less than 5%, the standard will be considered as "met." The standard in the areas of procedures and forms use will not be met if any exception is identified.

## **HISTORY OF THE COMPANY**

(Provided by the Company)

Safeway Insurance Company ("SIC") is domiciled in Westmont, IL and was incorporated under the laws of Illinois on August 28, 1962 as the successor to the Safeway Mutual Insurance Company (organized in 1959). SIC commenced business on December 28, 1962 and writes non-standard private passenger automobile liability, commercial automobile liability, automobile physical damage, and homeowners lines of business. SIC is the parent company of SIC-Alabama, SIC-Georgia, SIC-Louisiana, and SDIC. Collectively, the Safeway Group is authorized and licensed in 41 states and the District of Columbia. The Safeway Group is rated A "Excellent" by A.M. Best.

## **PROCEDURES REVIEWED WITHOUT EXCEPTION**

The Examiners review of the following Company departments<sup>1</sup> or functions indicates that they appear to be in compliance with Arizona statutes and rules:

Complaint Handling

Marketing and Sales

Producer Compliance

## **EXAMINATION REPORT SUMMARY**

The examination identified 7 compliance issues that resulted in 67 exceptions due to the Company's failure to comply with statutes and rules that govern all insurers operating in Arizona. These issues were found in three (3) of the six (6) sections of Company operations examined. The following is a summary of the Examiner's findings:

### **Underwriting and Rating**

In the area of Underwriting and Rating, three (3) compliance issues are addressed in this Report as follows:

- The Company failed to apply a correct rate to one (1) PPA Surcharge policy.
- The Company failed to specify the length of time the authorization remains valid under the applicant authorization section of its PPA application. This resulted in one (1) exception.
- The Company failed to advise the individual or a person authorized to act on behalf of the individual that they are entitled to receive a copy of the authorization form on its PPA application. This resulted in one (1) exception.

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<sup>1</sup> If a department name is listed there were no exceptions noted during the review.



### **Cancellation and Non Renewals**

In the area of Cancellations and Non Renewals, one (1) compliance issue is addressed in this Report as follows:

- The Company failed to provide a compliant Summary of Rights, on 50 PPA cancellations for underwriting reasons notices.

### **Claims Processing**

In the area of Claims Processing, three (3) compliance issues are addressed in this Report as follows:

- The Company failed to specify the length of time the authorization remains valid (shall be no longer than the duration of the claim) on three (3) claim authorization forms.
- The Company failed to advise the individual or a person authorized to act on behalf of the individual that they are entitled to receive a copy of the authorization form on four (4) claim authorization forms.
- The Company failed to include a fraud warning statement in at least 12-point type on seven (7) claim forms.

FACTUAL FINDINGS

**RESULTS OF PREVIOUS MARKET CONDUCT EXAMINATIONS**

During the past five (5) years, there was one (1) Market Conduct Examination completed by the state of California. No significant patterns of non-compliance were noted.

**UNDERWRITING AND RATING**

**Private Passenger Automobile (PPA):**

The Examiners reviewed 102 PPA New/Renewal Business files (included 2 sample files) out of a population of 61,408 and 102 PPA Surcharge files (included 2 sample files) out of a population of 28,347 during the examination period. This new/renewal and surcharge review included a total sample size of 204 PPA files from a total population of 89,755.

All new/renewal and surcharge files reviewed were to ensure compliance with Arizona Statutes and Rules.

**The following Underwriting and Rating Standards were met:**

#	STANDARD	Regulatory Authority
2	Disclosures to insureds concerning rates and coverage are accurate and timely.	A.R.S. §§ 20-259.01, 20-262, 20-263, 20-264, 20-266, 20-267, 20-443, 20-2110
3	All forms and endorsements forming a part of the contract should be filed with the director (if applicable).	A.R.S. § 20-398
5	Policies and endorsements are issued or renewed accurately, timely and completely.	A.R.S. §§ 20-1120, 20-1121, 20-1632 and 20-1654
6	Rescissions are not made for non-material misrepresentations.	A.R.S. §§ 20-463, 20-1109

**The following Underwriting and Rating Standard failed:**

#	STANDARD	Regulatory Authority
1	The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company Rating Plan.	A.R.S. §§ 20-341 through 20-385
4	All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations, including, but not limited to, the Notice of Insurance Information Practices and the Authorization for Release of Information.	A.R.S. §§ 20-2104, 20-2106, 20-2110 and 20-2113

**Underwriting and Rating, Standard # 1 – failed**

**Preliminary Finding 005- Filing of Rates** – During the Underwriting and Rating review, the Examiners identified one (1) rating error in which the Company failed to apply the correct rate on a PPA Surcharge policy, an apparent violation of A.R.S. § 20-385.

**PRIVATE PASSENGER AUTOMOBILE SURCHARGE POLICIES**

Failed to apply Correct Rates  
A.R.S. § 20-385

Population	Sample	# of Exceptions	% to Sample
28,347	12	1	8%

**An 8% error ratio does not meet the Standard; therefore, a recommendation is warranted.**

**Recommendation #1**

Within 90 days of the filed date of this Report submit documentation to the Department that it has procedures and controls in place to apply all rates correctly to comply with Arizona Statutes and Rules.

*Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding and has reviewed procedures for applying the Transfer Discount with all of their Arizona Agents.*

**Underwriting and Rating, Standard # 4 – failed**

**Preliminary Finding 001– Disclosure Authorization Forms - Underwriting** – The Examiners identified one (1) policy application (shown in the table below) where the Company failed to:

- specify the authorization remains valid one year from the date the authorization on the application is signed involving property or casualty insurance; and
- advise the individual or a person authorized to act on behalf of the individual that they are entitled to receive a copy of the authorization form.

This form fails to comply with A.R.S. § 20-2106(7)(b) and (9) and represents two (2) violations of the statute. The following table summarizes these application form findings.

	Form Description / Title	Form #	Statute Provision
1	Auto Insurance Application	AZ-1091 Rev. 02/07	7(b) and 9

**UNDERWRITING FORMS**

Failed to specify the authorization remains valid one year from the date authorization is signed on the application  
Violation of A.R.S. § 20-2106(7)(b)

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	1	N/A

**Any error or exception identified in the areas of a procedure or forms use does not meet the Standard; therefore a recommendation is warranted.**

**UNDERWRITING FORMS**

Failed to advise the individual or a person authorized to act on behalf of the individual that they are entitled to receive a copy of the authorization form  
Violation of A.R.S. § 20-2106(9)

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	1	N/A

**Any error or exception identified in the areas of a procedure or forms use does not meet the Standard; therefore a recommendation is warranted.**

**Recommendation #2**

Within 90 days of the filed date of this Report, provide the Department with documentation that Company procedures are in place so the application form listed above includes the following:

- specify the authorization remains valid one year from the date the authorization on the application is signed involving property or casualty insurance; and
- advise the individual or a person authorized to act on behalf of the individual that they are entitled to receive a copy of the authorization form , in accordance with the applicable state statute.

*Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding and implemented the change effective July 8, 2013. A corrected copy of the Company's PPA Application was provided to the Department prior to the completion of the Examination.*

**CANCELLATIONS AND NON-RENEWALS**

Private Passenger Automobile (PPA):

The Examiners reviewed 102 PPA cancellation files for non-payment of premium (included 2 sample files) out of a population of 42,643 and 50 PPA cancellation files for underwriting reasons out of a population of 853. This cancellation review included a total sample size of 152 PPA files from a total population of 43,496.

All cancellation files reviewed were to ensure compliance with Arizona Statutes and Rules.

**The following Cancellation and Non Renewal Standards were met:**

#	STANDARD	Regulatory Authority
2	Cancellations and Non-Renewal notices comply with state laws, company guidelines and policy provisions, including the amount of advance notice required and grace period provisions to the policyholder, nonrenewal based on condition of premises, and shall not be unfairly discriminatory.	A.R.S. §§ 20-191, 20-443, 20-448, 20-1631, 20-1632, 20-1632.01, 20-1651 through 20-1656

**The following Cancellation and Non Renewal Standards failed:**

#	STANDARD	Regulatory Authority
1	Declinations, Cancellations and Non-Renewals shall comply with state laws and company guidelines including the Summary of Rights to be given to the policyholder and shall not be unfairly discriminatory.	A.R.S. §§ 20-448, 20-2108, 20-2109, 20-2110

**Cancellation and Nonrenewal, Standard #1 – failed**

**Preliminary Finding 004 – Summary of Rights** – The Examiners identified 50 PPA cancellations for underwriting reasons, cancelled for an adverse underwriting decision. These notices failed to provide a compliant Summary of Rights language to its policyholders, an apparent violation of A.R.S. §§ 20-2108, 20-2109 and 20-2110.

**PRIVATE PASSENGER AUTOMOBILE CANCELLATIONS**

Failed to Provide Compliant Summary of Rights

A.R.S. §§ 20-2108, 20-2109 and 20-2110

Population	Sample	# of Exceptions	% to Sample
853	50	50	100%

**A 100% error ratio does not meet the Standard; therefore, a recommendation is warranted.**



**Recommendation #3**

Within 90 days of the filed date of this Report provide the Department with documentation that Company procedures are in place to ensure that a compliant Summary of Rights is sent with all cancellation, non renewal or declination notices that involve an adverse underwriting decision by the Company.

*Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding that its Summary of Rights language needed to be in compliance. The Company implemented the changes effective July 8, 2013 and a corrected copy of the notice was provided to the Department prior to the completion of the Examination.*

**CLAIMS PROCESSING**

**Private Passenger Automobile (PPA):**

The Examiners reviewed 52 PPA claims closed without payment (included 2 sample files) from a population of 1,512; 52 PPA paid claims (included 2 sample files) from a population of 2,063; 52 total loss PPA claims (included 2 sample files) out of a population of 264 and 52 PPA subrogation claims (included 2 sample files) out of a population of 91. This claims review included a total sample size of 208 PPA claim files from a total population of 3,930.

All claim files reviewed were to ensure compliance with Arizona Statutes and Rules.

**The Following Claim Standards were met:**

#	STANDARD	Regulatory Authority
1	The initial contact by the Company with the claimant is within the required time frame.	A.R.S. § 20-461, A.A.C. R20-6-801
2	Timely investigations are conducted.	A.R.S. § 20-461, A.A.C. R20-6-801
4	Claim files are adequately documented in order to be able to reconstruct the claim.	A.R.S. §§ 20-461, 20-463, 20-466.03, A.A.C. R20-6-801
5	Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	A.R.S. §§ 20-268, 20-461, 20-462, 20-468, 20-469 and A.A.C. R20-6-801
6	The Company uses reservation of rights and excess of loss letters, when appropriate.	A.R.S. § 20-461, A.A.C. R20-6-801
7	Deductible reimbursement to insured upon subrogation recovery is made in a timely and accurate manner.	A.R.S. §§ 20-461, 20-462, A.A.C. R20-6-801
8	The Company responds to claim correspondence in a timely manner.	A.R.S. § 20-461, 20-462, A.A.C. R20-6-801
9	Denied and Closed Without Payment claims are handled in accordance with policy provisions and state law.	A.R.S. §§ 20-461, 20-462, 20-463, 20-466, 20-2110, A.A.C. R20-6-801
10	No insurer shall fail to fully disclose to first party insureds all pertinent benefits, coverages or other provisions of an insurance policy or insurance contract under which a claim is presented.	A.A.C. R20-6-801
11	Adjusters used in the settlement of claims are properly licensed.	A.R.S. §§ 20-321 through 20-321.02

**The following Claim Standard failed:**

#	STANDARD	Regulatory Authority
3	The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	A.R.S. §§ 20-461, 20-466.03, 20-2106, A.A.C. R20-6-801

**Claims Processing Standard #3 – failed**

**Preliminary Finding 001 – Disclosure Authorization Forms- Claims** – The Examiners identified four (4) claim authorization forms (shown in the table below) where the Company failed to:

- specify the authorization remains valid for no longer than the duration of the claim; and
- advise the individual or a person authorized to act on behalf of the individual that they are entitled to receive a copy of the authorization form.

This form failed to comply with A.R.S. § 20-2106 (8)(b) and (9) and represent seven (7) violations of the statute. The following table summarizes the authorization form findings.

	Form Description / Title	Form #	Statute Provision
1	Authorization to Use or Disclose Protected Health Information	Unknown	9
2	Authorization for use or Disclosure of Medical Information	Unknown	8(b) and 9
3	Medical Authorization	Unknown	8(b) and 9
4	Medical Authorization	Unknown	8(b) and 9

**CLAIM FORMS**

Failed to specify the authorization remains valid for no longer than the duration of the claim  
Violation of A.R.S. § 20-2106(8)(b)

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	3	N/A

**Any error or exception identified in the areas of a procedure or forms use does not meet the Standard; therefore a recommendation is warranted.**

### CLAIM FORMS

Failed to advise the individual or a person authorized to act on behalf of the individual that they are entitled to receive a copy of the authorization form

Violation of A.R.S. § 20-2106(9)

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	4	N/A

**Any error or exception identified in the areas of a procedure or forms use does not meet the Standard; therefore a recommendation is warranted.**

#### **Recommendation #4**

Within 90 days of the filed date of this Report, provide the Department with documentation that Company procedures are in place so the authorization form listed above includes the following

- specify the authorization remains valid for no longer than the duration of the claim; and
- advises the individual or a person authorized to act on behalf of the individual that the individual or the individual's authorized representative is entitled to receive a copy of the authorization form, in accordance with the applicable state statute.

*Subsequent Events: During the course of the Examination, the Company provided the corrected form to the Department prior to completion of the Examination.*

#### **Claims Processing Standard #3 -- failed**

**Preliminary Finding 002 – Fraud Warning Statement** – The Company failed to provide a fraud warning statement in at least twelve (12) point type on seven (7) claim forms. This represents seven (7) violations of A.R.S. § 20-466.03. The following table summarizes the fraud warning statement findings.

	Form Description / Title	Form Number
1	Property Damage Release	NA
2	Release of all Claims	NA
3	General Release, Husband and Wife	NA
4	Release of Uninsured Motorist Claim and Trust Agreement	NA
5	Medical Authorization	NA
6	Authorization to Use or Disclose Protected Health Information	NA
7	Authorization for Use or Disclosure of Medical Information	NA

**CLAIM FORMS**

Failed to provide fraud warning statement in at least twelve (12) point type  
Violation of A.R.S. § 20-466.03

<b>Population</b>	<b>Sample</b>	<b># of Exceptions</b>	<b>% to Sample</b>
N/A	N/A	7	N/A

**Any error or exception identified in the areas of a procedure or forms use does not meet the Standard; therefore a recommendation is warranted.**

**Recommendation #5**

Within 90 days of the filed date of this Report, provide the Department with documentation that the required fraud warning statement, in 12-point type, is included on the claim forms cited above, in accordance with the applicable state statute.

*Subsequent Events: During the course of the Phase I Examination, the Company provided the corrected forms to the Department prior to completion of the Examination.*

**SUMMARY OF FAILED STANDARDS**

<b>EXCEPTIONS</b>	<b>Rec. No.</b>	<b>Page No.</b>
<b>UNDERWRITING AND RATING</b>		
<u>Standard #1</u> The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company Rating Plan.	1	13
<u>Standard #4</u> All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations, including, but not limited to, the Notice of Insurance Information Practices and the Authorization for Release of Information.	2	14
<b>CANCELLATIONS AND NON RENEWALS</b>		
<u>Standard #1</u> Declinations, Cancellations and Non-Renewals shall comply with state laws and company guidelines including the Summary of Rights to be given to the policyholder and shall not be unfairly discriminatory.	3	17
<b>CLAIM PROCESSING</b>		
<u>Standard #3</u> The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	4	21
<u>Standard #3</u> The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	5	22

**SUMMARY OF PROPERTY AND CASUALTY STANDARDS**

**Complaint Handling**

#	STANDARD	PAGE	PASS	FAIL
1	The Company takes adequate steps to finalize and dispose of the complaints in accordance with applicable statutes, rules, regulations and contract language. (A.R.S. § 20-461 and A.A.C. R20-6-801)	8	X	
2	The time frame within which the Company responds to complaints is in accordance with applicable statutes, rules and regulations. (A.R.S. § 20-461 and A.A.C. R20-6-801)	8	X	

**Marketing and Sales**

#	STANDARD	PAGE	PASS	FAIL
1	All advertising and sales materials are in compliance with applicable statutes, rules and regulations. (A.R.S. §§ 20-442 and 20-443)	8	X	

**Producer Compliance**

#	STANDARD	PAGE	PASS	FAIL
1	The producers are properly licensed in the jurisdiction where the application was taken. (A.R.S. §§ 20-282, 20-286, 20-287 and 20-311 through 311.03)	8	X	
2	An insurer shall not pay any commission, fee, or other valuable consideration to unlicensed producers. (A.R.S. § 20-298)	8	X	

**Underwriting and Rating**

#	STANDARD	PAGE	PASS	FAIL
1	The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company Rating Plan. (A.R.S. §§ 20-341 through 20-385)	12		X



#	STANDARD	PAGE	PASS	FAIL
2	Disclosures to insureds concerning rates and coverage are accurate and timely. (A.R.S. §§ 20-259.01, 20-262, 20-263, 20-264, 20-266, 20-267 and 20-2110)	12	X	
3	All forms and endorsements forming a part of the contract should be filed with the director (if applicable). (A.R.S. § 20-398)	12	X	
4	All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations, including, but not limited to, the Notice of Insurance Information Practices and the Authorization for Release of Information. (A.R.S. §§ 20-2104, 20-2106, 20-2110 and 20-2113)	12		X
5	Policies and endorsements are issued or renewed accurately, timely and completely. (A.R.S. §§ 20-1120, 20-1121, 20-1632 and 20-1654)	12	X	
6	Rescissions are not made for non-material misrepresentations. (A.R.S. §§ 20-463 and 20-1109)	12	X	

**Declinations, Cancellation and Non-Renewals**

#	STANDARD	PAGE	PASS	FAIL
1	Declinations, Cancellations and Non-Renewals shall comply with state laws and company guidelines including the Summary of Rights to be given to the policyholder and shall not be unfairly discriminatory. (A.R.S. §§ 20-448, 20-2108, 20-2109 and 20-2110)	16		X
2	Cancellations and Non-Renewal notices comply with state laws, company guidelines and policy provisions, including the amount of advance notice required and grace period provisions to the policyholder, nonrenewal based on condition of premises, and shall not be unfairly discriminatory. (A.R.S. §§ 20-191, 20-443, 20-448, 20-1631, 20-1632, 20-1632.01, 20-1651 through 20-1656)	16	X	

## Claims Processing

#	STANDARD	PAGE	PASS	FAIL
1	The initial contact by the Company with the claimant is within the required time frame. (A.R.S. § 20-461 and A.A.C. R20-6-801)	19	X	
2	Timely investigations are conducted. (A.R.S. § 20-461, and A.A.C. R20-6-801)	19	X	
3	The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations. (A.R.S. §§ 20-461, 20-466.03, 20-2106, and A.A.C. R20-6-801)	20		X
4	Claim files are adequately documented in order to be able to reconstruct the claim. (A.R.S. §§ 20-461, 20-463, 20-466.03 and A.A.C. R20-6-801)	19	X	
5	Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations. (A.R.S. §§ 20-268, 20-461, 20-462, 20-468, 20-469 and A.A.C. R20-6-801)	19	X	
6	The Company uses reservation of rights and excess of loss letters, when appropriate. (A.R.S. § 20-461 and A.A.C. R20-6-801)	19	X	
7	Deductible reimbursement to insured upon subrogation recovery is made in a timely and accurate manner. (A.R.S. §§ 20-461, 20-462 and A.A.C. R20-6-801)	19	X	
8	The Company responds to claim correspondence in a timely manner. (A.R.S. § 20-461, 20-462 and A.A.C. R20-6-801)	19	X	
9	Denied and closed without payment claims are handled in accordance with policy provisions and state law. (A.R.S. §§ 20-461, 20-462, 20-463, 20-466, 20-2110 and A.A.C. R20-6-801)	19	X	
10	No insurer shall fail to fully disclose to first party insureds all pertinent benefits, coverages, or other provisions of an insurance policy or insurance contract under which a claim is presented. (A.A.C. R20-6-801)	19	X	
11	Adjusters used in the settlement of claims are properly licensed (A.R.S. §§ 20-321 through 20-321.02)	19	X	