STATE OF ARIZONA
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DEPT. OF INSURANCE

REPORT OF TARGET MARKET CONDUCT EXAMINATION

OF

AUSTIN MUTUAL INSURANCE COMPANY

NAIC #13412

AS OF

JUNE 30, 2010

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Honorable Christina Urias
Director of Insurance
State of Arizona
2910 North 44th Street
Suite 210, Second Floor
Phoenix, Arizona 85108-7269

Dear Director Urias:

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

AUSTIN MUTUAL INSURANCE COMPANY
NAIC # 13412

The above examination was conducted by William Hobert, Examiner-in-Charge, and Market Conduct Examiner Laura Sloan-Cohen.

The examination covered the period of July 1, 2009 through June 30, 2010.

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

Sincerely yours,

Helene I. Tomme

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

AFFIDAVIT

STATE OF ARIZONA)
) ss.
County of Maricopa)

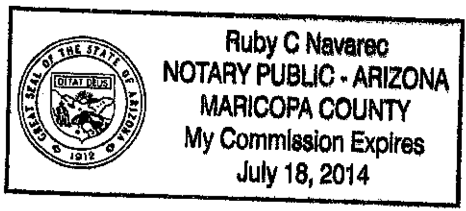
William P. Hobert being first duly sworn, states that I am a duly appointed Market Conduct Examinations Examiner-in-Charge for the Arizona Department of Insurance. That under my direction and with my participation and the participation of Market Conduct Examiner Laura Sloan-Cohen on the Examination of Austin Mutual Insurance Company, hereinafter referred to as the "Company" was performed at the examiners' residences. A teleconference meeting with appropriate Company officials 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.

William P. Hobert, CPCU, CLU, CIE
Market Conduct Examiner-in-Charge
Market Oversight Division

Subscribed and sworn to before me this 11 day of February, 2011.

Notary Public

My Commission Expires July 18, 2014



FOREWORD

This target market conduct examination report of Austin Mutual Insurance Company (herein referred to as the "Company"), was prepared by employees of the Arizona Department of Insurance (Department) as well as independent examiners contracting with the Department. A target 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 product 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 Automobile (PPA) and Homeowner (HO) business operations:

1. Complaint Handling
2. Marketing and Sales
3. Producer Compliance
4. Underwriting and Rating
5. Declinations, 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 target market conduct examination of the Company covered the period of July

1, 2009 through June 30, 2010 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 7.

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, examination 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.

On November 9, 2005, the Company entered into a Consent Order, Docket No. 05A-155-INS ("the Consent Order'), wherein the Company agreed to cease and desist certain business practices found to have violated Arizona insurance laws.

HISTORY OF THE COMPANY

Twenty-five (25) representatives of southern Minnesota township mutual insurance companies in 1896 came together to organize a state mutual hail insurance company in Mankato, MN. The company was named State Farmers Mutual Hail Association of Minnesota. In 1909

the organization's name was changed to Austin Mutual Hail Insurance Company of Minnesota and the home office moved to Austin, MN. Later the word "Hail" was deleted from the company's name and the home office moved to Minneapolis, MN. In 1930, Austin Mutual Insurance Company (the "Company') adopted its current name.

The Company has merged with several of its regional mutual counterparts over the years, including St. Paul Mutual Insurance Company in 1963, United Farmers Mutual Insurance Company in 1969, Waseca Mutual Insurance Company in 1999 and Northern Mutual Insurance Company in 2003. A merger with Cooperative Mutual Insurance Company is planned for 2011.

Arizona admitted the Company as a P&C insurer on May 5, 1999. The Company offers personal and commercial property insurance through independent agents. The Company's statutory home office is located 15490 101st Avenue N, Maple Grove, MN 55369-9725.

PROCEDURES REVIEWED WITHOUT EXCEPTION

The examiners review of the following Company departments[1] 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 revealed eleven (11) compliance issues that resulted in 298 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 examiners' findings:

Underwriting and Rating

In the area of Underwriting and Rating, five (5) compliance issues are addressed in this report as follows:

- The Company's HO and PPA applications failed to provide an underwriting authorization release of information form:
  - (a) specifying the types of persons authorized to disclose information about the individual;

[1] If a department name is listed there were no exceptions noted during the review.

(b) specifying the length of time the authorization remains valid shall be no longer than one (1) year; and

(c) advising the individual and a person authorized to act on behalf of the individual they are entitled to receive a copy of the authorization form.

- The Company failed to provide five (5) HO and eight (8) PPA applications requested by examiners.

- The Company failed to provide a *Notice of Insurance Information Practices* at the time eighty (80) HO and 139 PPA personal information reports were first collected from a source other than the applicant or public records.

Declinations, Cancellations 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 Summary of Rights when six (6) HO and sixteen (16) PPA insureds had their policies non-renewed for an underwriting reason.

Claims Processing

In the area of Claims Processing, five (5) compliance issues are addressed in this report as follows:

- The Company failed, during nine (9) incomplete HO investigations, to maintain correspondence at least every forty-five (45) days with first party claimants setting forth reasons additional time was needed for investigation.
- The Company failed, within fifteen (15) working days after receipt of proofs of loss, to provide nineteen (19) HO first party claimants notice that their claim(s) had been accepted or denied.
- The Company failed to correctly calculate and fully pay:

  (a) sales tax in the settlement of four (4) first and two (2) third party PPA total losses, and

  (b) fees in the settlement of three (3) first party PPA total losses.
- The Company failed to provide PPA glass claimants a choice of selecting a repair facility of their own choosing.

FACTUAL FINDINGS

RESULTS OF PREVIOUS MARKET EXAMINATIONS

During the past three (3) years, the Company had no market conduct examination conducted.

FACTUAL FINDINGS

UNDERWRITING AND RATING

Private Passenger Automobile (PPA):

The examiners reviewed:

(1) 100 PPA new business and/or renewal policies from a population of 7,345; and
(2) fifty (50) PPA surcharged policies from a population of 983.

Homeowners (HO):

The examiners reviewed 100 HO new business and/or renewal policies from a population of 6,411.

The following Underwriting and Rating Standards were met:

#	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
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, 20-2110
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
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
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. §§ 20-157, 20-2104, 20-2106, 20-2110, 20-2113

Preliminary Findings #3 – Underwriting Authorization – The Company failed with both PPA and HO applications to provide an adequate authorization for the release of personal, privileged information used in the Company's underwriting process. The Company's sole reliance on a Fair Credit Reporting Act (FCRA) statement pursuant to A.R.S. § 20-2104(C) fails to:

(a) specify the types of persons authorized to disclose information about the individual;
(b) specify the authorization remains valid for no longer than one (1) year from the date the authorization is signed; and
(c) 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.

Company PPA and HO applications fail to comply with A.R.S. § 20-2106(3), (7)(b) and (9), and represent six (6) violations of the statute.

PPA & HO NEW POLICIES

Failed to provide adequate authorization for release of personal, privileged information used in the underwriting process

Violation of A.R.S. § 20-2106(3), (7)(b) and (9)

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	6	N/A

Any form violation does not meet the Standard.

Recommendation #1

Within ninety (90) days of the filed date of this report, provide the Department with documentation that authorization to release personal information on Company PPA and HO applications, or supplemental documents, has been revised and provided applicants that appropriately:

(a) specify the types of persons authorized to disclose information about the individual;

(b) specify the authorization remains valid for no longer than one (1) year from the date the authorization is signed; and

(c) 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 statute.

Preliminary Findings #12 – Missing Applications – The Company failed to provide five (5) HO and eight (8) PPA applications requested by examiners. These represent thirteen (13) violations of A.R.S. § 20-157(A).

PPA & HO APPLICATIONS

Failed to provide applications requested for the examiners' file reviews

Violation of A.R.S. § 20-157

Population	Sample	# of Exceptions	% to Sample
13,756	250	13	5.2%

A 5.2% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation #2

Within ninety (90) days of the filed date of this report, provide the Department with documentation that procedures and controls are in place to ensure Company staff and producers maintain HO and PPA new business files, including all applications and related materials, in accordance with all applicable state statutes.

Preliminary Findings #14 – Notice of Insurance Information Practices – The Company failed to provide both HO and PPA applicants a *Notice of Insurance Information Practices* at the time personal information from a source other than the applicant or public records was first collected. The Company regularly orders CLUE reports and credit histories to determine HO eligibility and PPA premiums. The Company ordered thirty-five (35) HO CLUE reports, forty-five (45) HO credit scores, sixty-two (62) PPA CLUE reports and seventy-seven (77) PPA credit scores before applications were signed. These represent 219 violations of A.R.S. § 20-2104(B)(1)(b).

PPA & HO NEW POLICIES

Failed to provide Notice of Insurance Information Practices when personal information first collected from a source other than the applicant or public records

Violation of A.R.S. § 20-2104(B)(1)(b)

Population	Sample	# of Exceptions	% to Sample
13,756	250	219	87.6%

An 87.6% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation #3

Within ninety (90) days of the filed date of this report, provide the Department with documentation that procedures and controls are in place to ensure the Company and its producers provide all applicants a *Notice of Insurance Information Practices* when personal information from a source other than the applicant or public records is first collected, in accordance with applicable state statutes.

FACTUAL FINDINGS

DECLINATIONS, CANCELLATIONS AND NON-RENEWALS

Private Passenger Automobile (PPA):

The examiners reviewed:

(1) fifty (50) PPA non-payment cancellations from a population of 267;
(2) all sixteen (16) PPA non-renewals; and
(3) all twenty-nine (29) PPA underwriting cancellations.

Homeowners (HO):

The examiners reviewed:

(1) fifty (50) HO non-payment cancellation from a population of 184;
(2) fifty (50) HO non-renewals from a population of 286; and
(3) fifty (50) HO underwriting cancellations from a population of 293.

The following Declination, Cancellation and Non-Renewal Standard was 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, and shall not be unfairly discriminatory.	A.R.S. §§ 20-191, 20-443, 20-448, 20-1631, 20-1632, 20-1632.01

The following Declination, Cancellation and Non-Renewal Standard 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 applicant and shall not be unfairly discriminatory.	A.R.S. §§ 20-448, 20-2108, 20-2109 and 20-2110

Preliminary Finding #1 – No Summary of Rights - The Company failed to provide a Summary of Rights with six (6) HO and sixteen (16) PPA non-renewals for an underwriting reason, i.e. adverse underwriting decision. These represent twenty-two (22) violations of A.R.S. § 20-2110 and the prior Consent Order.

HO & PPA NON-RENEWALS

Failed to provide a Summary of Rights to insureds with coverage non-renewed due to an adverse underwriting decision

Violation of A.R.S. § 20-2110

Population	Sample	# of Exceptions	% to Sample
302	66	22	33.3%

A 33.3% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation #4
Within ninety (90) days of the filed date of this report, provide the Department with documentation that Company procedures and controls are in place to ensure a Summary of Rights is provided to all HO and PPA insureds, in accordance with the applicable statute, when their policies are cancelled or non-renewed due to an adverse underwriting decision.

Subsequent Event
The Company before the close of the exam began programming changes to include a Summary of Rights with all future nonrenewals. The examiners confirmed changes went into full production 2/14/11.

FACTUAL FINDINGS

CLAIM PROCESSING

Private Passenger Automobile (PPA):

The examiners reviewed:

(1) fifty (50) PPA claims closed without payment from a population of 369;
(2) fifty (50) PPA claims paid from a population of 2,384;
(3) fifty (50) PPA total losses from a population of 112; and
(4) all nine (9) PPA subrogations.

Homeowners (HO):

The examiners reviewed:

(1) fifty (50) HO claims closed without payment from a population of 106;
(2) fifty (50) HO claims paid from a population of 270; and
(4) the only HO subrogation.

The following Claim Processing 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
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
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
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 Processing Standard failed:

#	STANDARD	Regulatory Authority
2	Timely investigations are conducted.	A.R.S. § 20-461, A.A.C. R20-6-801

Preliminary Findings #5 – Infrequent Claim Correspondence – The Company failed, during nine (9) incomplete HO investigations, at least every forty-five (45) days, to maintain correspondence with first party claimants setting forth reasons additional time was needed for investigation. These represent nine (9) violations of A.R.S. § 20-461(A)(2) and A.A.C. R-20-6-801(G)(1)(b).

HOMEOWNER CLAIM CORRESPONDENCE

Failed to provide claimants, at least every forty-five (45) days, reason investigation remains open
Violation of A.R.S. § 20-461(A)(2) and A.A.C. R20-6-801(G)(1)(b)

Population	Sample	# of Exceptions	% to Sample
376	100	9	9%

A 9% error ratio does not meet the Standard; therefore a recommendation is warranted.

Recommendation #5

Within ninety (90) days of the filed date of this report, provide documentation to the Department that procedures and controls are in place to ensure the Company, when claim investigations are incomplete, provide first party claimants, at least every forty-five (45) days, written correspondence setting forth reasons additional time is needed for investigation, in accordance with the applicable statutes and regulation.

The following Claim Processing Standard failed:

#	STANDARD	Regulatory Authority
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, A.A.C. R20-6-801

Preliminary Findings #4 – Slow Claim Acceptance and Denial – The Company failed, within fifteen (15) working days after receipt of HO proofs of loss, to provide seven (7) first party paid claimants and twelve (12) first party denied claimants notice their claim(s) had been accepted or denied. These represent a total of nineteen (19) violations of A.R.S. §§ 20-461(A)(5), 20-462 and A.A.C. R20-6-801(G)(1)(a).

HOMEOWNER PAID & DENIED CLAIMS

Failed within fifteen (15) working days after receipt of proofs of loss to deny or accept claim
Violation of A.R.S. §§ 20-461(A)(5), 20-462, A.A.C. R20-6-801(G)(1)(a)

Population	Sample	# of Exceptions	% to Sample
376	100	19	19%

A 19% error ratio does not meet the Standard; therefore a recommendation is warranted.

Recommendation #6

Within ninety (90) days of the filed date of this report, provide documentation to the Department that procedures and controls are in place to ensure the Company, within fifteen (15) working days after receipt of proofs of loss, including staff or independent adjuster reports, repair estimates, payment recommendations, etc., accepts or denies claims, in accordance with applicable state statutes and regulations. In addition, the Company should make restitution for interest owed two (2) paid first party claimants because their claims were settled more than thirty (30) days after the Company received acceptable proofs of loss. The Company should provide the Department appropriate documentation of payments. With each interest payment, provide a letter indicating that an audit of claims by the Department resulted in identification and correction of the previous claim payment.

Preliminary Findings #6 and #7 – Total Loss Sales Tax and Fees – The Company failed to accurately calculate and fully pay the correct:

(a) sales tax with four (4) first and two (2) third party total loss settlements; and

(b) fees with three (3) first party total loss settlements.

These represent a total of nine (9) violations of A.R.S. §§ 20-461(A)(6), 20-462 and A.A.C. R20-6-801(H)(1)(b).

PRIVATE PASSENGER AUTOMOBILE TOTAL LOSSES

Failed to correctly calculate and pay sales taxes and fees associated with total loss settlements

Violation of A.R.S. §§ 20-461(A)(6), 20-462, A.A.C. R20-6-801(H)(1)(b)

Population	Sample	# of Exceptions	% to Sample
112	50	9	18%

An 18% error ratio does not meet the Standard; therefore a recommendation is warranted.

Recommendation #7

Within 90 days of the filed date of this report, provide documentation to the Department that procedures and controls are in place to ensure the Company correctly calculates and fully pays any sales tax and title, registration or other fees owed any claimant in the settlement of a total loss, in accordance with applicable state statutes and regulations.

Subsequent Event

During the course of the examination, the Company made sales tax restitution of $864.16, which included $90.70 interest and fee restitution of $31.76, including $3.76 interest.

Preliminary Findings #8 – Right to Select Glass Repair Facility – The Company failed to adequately inform glass claimants of their right to select a glass repair facility of their choosing. This represents one (1) violation of A.R.S. § 20-469.

PRIVATE PASSENDER AUTOMOBILE GLASS LOSSES
Failed to provide claimants right to select a glass repair facility of their choosing
Violation of A.R.S. § 20-469

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

Any violation does not meet the Standard; therefore a recommendation is warranted.

Recommendation #8

Within ninety (90) days of the filed date of this report, provide documentation to the Department that procedures and controls are in place to ensure the Company informs glass claimants of their right to select a glass repair facility of their choosing, in accordance with applicable state statute.

SUMMARY OF FAILED STANDARDS

EXCEPTION	Rec. No.	Page No.
UNDERWRITING & RATING		
Standard #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.	1, 2, & 3	12 & 13
DECLINATIONS, CANCELLATIONS & NON-RENEWALS		
Standard #1 Declinations, Cancellations and Non-Renewals shall comply with state laws and Company guidelines including the Summary of Rights to be given to the applicant and shall not be unfairly discriminatory.	4	16
CLAIM PROCESSING		
Standard #2 Timely investigations are conducted.	5	19
Standard #5 Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	6, 7, & 8	20 & 21

SUMMARY OF PROPERTY AND CASUALTY STANDARDS

A. Complaint Handling

#	STANDARD	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, A.A.C. R20-6-801)	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, A.A.C. R20-6-801)	X	

B. Marketing and Sales

#	STANDARD	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)	X	

C. Producer Compliance

#	STANDARD	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, 20-311 through 311.03)	X	
2	An insurer shall not pay any commission, fee, or other valuable consideration to unlicensed producers. (A.R.S. § 20-298)	X	

D. Underwriting and Rating

#	STANDARD	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)	X	
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, 20-2110)	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)	X	

#	STANDARD	PASS	FAIL
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. §§ 20-157, 20-2104, 20-2106, 20-2110 and 20-2113)		X
5	Policies and endorsements are issued or renewed accurately, timely and completely. (A.R.S. §§ 20-1120 and 20-1121)	X	
6	Rescissions are not made for non-material misrepresentations. (A.R.S. §§ 20-463 and 20-1109)	X	

E. Declinations, Cancellations and Non-Renewals

#	STANDARD	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 applicant and shall not be unfairly discriminatory. (A.R.S. §§ 20-448, 20-2108, 20-2109 and 20-2110)		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, and shall not be unfairly discriminatory. (A.R.S. §§ 20-191, 20-443, 20-448, 20-1631, 20-1632, 20-1632.01)	X	

F. Claim Processing

#	STANDARD	PASS	FAIL
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)	X	
2	Timely investigations are conducted. (A.R.S. § 20-461, A.A.C. R20-6-801)		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, A.A.C. R20-6-801)	X	

#	STANDARD	PASS	FAIL
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)	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, A.A.C. R20-6-801)		X
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)	X	
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)	X	
8	The Company responds to claim correspondence in a timely manner. (A.R.S. §§ 20-461, 20-462, A.A.C. R20-6-801)	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, A.A.C. R20-6-801)	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)	X	
11	Adjusters used in the settlement of claims are properly licensed. (A.R.S. §§ 20-321 through 20-321.02)	X	