



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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CHARLES R. COHEN
Director of Insurance

CIRCULAR LETTER 2000-3

TO: Insurance Rating Organizations; Insurance Industry Representatives; Insurance Trade Associations; Property & Casualty Insurers; and Other Interested Parties

FROM: Charles R. Cohen
Director of Insurance

DATE: February 14, 2000

RE: **Revision of Property Damage Threshold For Purposes of A.R.S. § 20-1631(E)**

The Arizona Department of Insurance (Department) administers Arizona Revised Statutes, Title 20, Chapter 6, Article 11, regarding the cancellation or non-renewal of personal automobile insurance. That article restricts the reasons an insurer may cancel or nonrenew a personal automobile policy after it has been in effect for sixty days to the reasons listed in A.R.S. § 20-1631(D). However, Subsection E of the same statute permits an insurer to annually nonrenew no more than one-half of one percent of one percent of its personal automobile policies on the following basis:

- The named insured, any person who resides in the same household as the named insured and who customarily operates a motor vehicle insured under the policy, or any other person who regularly and frequently operates a motor vehicle insured under the policy has had at any time during the 36 months immediately before the notice of nonrenewal three or more "at-fault" (at least 50% responsible) accidents in which the property damage paid by the insurer for each accident which occurred prior to January 1, 2000 is more than \$1,800.
- The same individual has had all the accidents that make the policy subject to nonrenewal.
- The named insured has been insured for standard automobile bodily injury coverage with the insurer for less than 10 consecutive years prior to the most recent at-fault accident that makes the policy subject to nonrenewal.

For accidents occurring on or after January 1, 2000, A.R.S. § 20-1631(E) requires the Department to annually adjust and publish, to the nearest \$10, the threshold amount of property damages insurers may use to nonrenew under the subsection. The threshold adjustment must be based upon the percentage change in the all items component of the consumer price index for all urban consumers (CPI-U) of the United State Department of Labor, Bureau of Labor Statistics (BLS). The BLS' most current United States' City Average CPI-U is 2.2%, as published in January 2000. **Therefore, the property damage threshold level for purposes of A.R.S. § 20-1631(E), for accidents occurring on or after the date of this Circular Letter, is increased to \$1,840 (\$1,800 x 1.022, rounded to the nearest \$10).** The \$1,840 threshold will remain in effect until the Department publishes the adjusted threshold in 2001.

Should you have any questions regarding this matter, please contact Jack Sneathen at 602/912-8461.