



**Department of Insurance
State of Arizona**

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Director Of Insurance

REGULATORY BULLETIN 2002-1

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

From: Charles R. Cohen
Director

Date: January 28, 2002

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

The Arizona Department of Insurance (Department) administers the Arizona Revised Statutes, Title 20, Chapter 6, Article 11, regarding the cancellation or non-renewal of personal automobile insurance. This article restricts the reasons an insurer may cancel or nonrenew a personal automobile policy after it has been in effect for 60 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 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 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 States Department of Labor, Bureau of Labor Statistics (BLS). By Circular Letter dated February 14, 2000, the Department adjusted the threshold to \$1,840 based upon a BLS' published CPI-U of 2.2%. By a Regulatory Bulletin dated February 7, 2001, the Department adjusted the threshold to \$1900 based upon a BLS' published CPI-U of 3.4%.

The BLS' most current United States' City Average CPI-U is 2.8%. Therefore, as of this date, **the property damage threshold level is hereby increased to \$1,950** ($\$1,900 \times 1.028$ rounded to the nearest \$10). Insurers may not use Subsection E to nonrenew personal automobile policies unless all of the previous requirements outlined herein are met and the property damage has exceeded \$1,950. The \$1,950 threshold will remain in effect until the Department publishes the adjusted threshold in 2003.

Should you have any questions regarding this matter, please feel free to contact Jack Sneathen at (602) 912-8461.