

STATE OF ARIZONA
FILED

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DEPT. OF INSURANCE

REPORT OF TARGET MARKET CONDUCT EXAMINATION

OF

LIBERTY MUTUAL FIRE INSURANCE COMPANY

NAIC #23035

AS OF

December 31, 2010

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CHRISTINA URIAS
Director of Insurance

Honorable Christina Urias
Director of Insurance
State of Arizona
2910 North 44th Street
Suite 210, Second Floor
Phoenix, Arizona 85018-7269

Dear Director Urias:

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

Liberty Mutual Fire Insurance Company
NAIC #23035

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, 2010 through December 31, 2010.

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

FOREWORD

This targeted market conduct examination report of the Liberty Mutual Fire Insurance Company (herein referred to as, "LMF", 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 Homeowners' (HO) and 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, 2010 through December 31, 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 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)

This company was incorporated October 31, 1908 under the laws of Massachusetts as "United Druggists Mutual Fire Insurance Company." The word "Druggists" was deleted from its title in 1918. The present name was adopted on December 15, 1949. All contracts have been on a non-assessable basis since 1942. On March 19, 2002, the company reorganized from a mutual insurance company to a stock insurance company as part of a mutual holding company structure. In 2005, the company transferred its domicile from Massachusetts, becoming a Wisconsin stock insurance company.

PROCEDURES REVIEWED WITHOUT EXCEPTION

The Examiners review of the following Company departments¹ 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 eight (8) compliance issues that resulted in 137 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, two (2) compliance issues are addressed in this Report as follows:

- The Company failed to specify the length of time the authorization remains valid under the applicant authorization section of its PPA and HO applications. This resulted in three (3) exceptions.
- 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 and HO applications. This resulted in three (3) exceptions.

Cancellation and Non Renewals

In the area of Cancellations and Non Renewals, two (2) compliance issues are addressed in this Report as follows:

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

- The Company failed to provide a Summary of Rights, on 41 HO non renewals, 50 HO cancellations for underwriting reasons, 1 PPA non renewals and 3 PPA cancellations for underwriting reasons to its policyholders/insureds cancelled for an adverse underwriting decision for a total of 95 notices.

Claims Processing

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

- The Company failed to correctly calculate and pay the appropriate tax, license registration and/or air quality fees on six (6) PPA first/third party total loss settlements.
- The Company failed to specify the length of time the authorization remains valid (shall be no longer than the duration of the claim) on two (2) 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 two (2) claim authorization forms.
- The Company failed to include a fraud warning statement in at least 12-point type on four (4) PPA claim forms.
- The Company failed to identify the appropriate insuring company name on 3 HO subrogation, 5 HO closed without payment, 6 HO paid, 7 PPA subrogation and 1 PPA paid for a total of 22 claims correspondence/letters.

FACTUAL FINDINGS

RESULTS OF PREVIOUS MARKET CONDUCT EXAMINATIONS

During the past five (5) years, there were six (6) Market Conduct Examinations completed by the state of Connecticut, Georgia, Massachusetts, New Jersey, Nevada and Rhode Island. No significant patterns of non-compliance were noted.

UNDERWRITING AND RATING

Homeowners (HO):

The Examiners reviewed 100 HO New/Renewal Business files out of a population of 26,002 during the examination period.

Private Passenger Automobile (PPA):

The Examiners reviewed 100 PPA New/Renewal Business files out of a population of 52,240 and 50 PPA Surcharge files out of a population of 4,117 during the examination period. This new/renewal and surcharge review included a total sample size of 150 PPA files from a total population of 56,357.

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

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, 20-443, 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
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 # 4 – failed

Preliminary Finding-008– Underwriting Authorization Disclosures – The Examiners identified three (3) policy applications (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.

These forms fail to comply with A.R.S. § 20-2106(7)(b) and (9) and represent six (6) violations of the statute. The following table summarizes these application form findings.

	Form Description / Title	Form #	Statute Provision
1	Homeowners Application	PMKT 703 1209	7(b) and 9
2	Personal Automobile Policy Application	PMKT 465	7(b) and 9
3	Personal Automobile Policy Application	AUTO 4201 0810	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	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.

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	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.

Recommendation #1

Within 90 days of the filed date of this Report, provide the Department with documentation that Company procedures are in place so the application forms listed above include 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.

CANCELLATIONS AND NON-RENEWALS

Homeowners (HO):

The Examiners reviewed 50 HO cancellation files for non-payment of premium out of a population of 1,297, 50 HO cancellation files for underwriting reasons out of a population of 85, 41 HO non renewals out of a population of 41 and 50 HO declinations out of a population of 354. This cancellation and non renewal review included a total sample size of 191 HO files from a total population of 1,777.

Private Passenger Automobile (PPA):

The Examiners reviewed 50 PPA cancellation files for non-payment of premium out of a population of 1,904, 50 PPA cancellation files for underwriting reasons out of a population of 1,237, 2 PPA non renewals out of a population of 2 and 50 PPA declinations out of a population of 3,234. This cancellation, non renewal and declination review included a total sample size of 152 PPA files from a total population of 6,377.

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

The Following Claim 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 007 – Summary of Rights – The Examiners identified 41 HO non renewals, 50 HO cancellations for underwriting reasons, 1 PPA non renewals and 3 PPA cancellations for underwriting reasons, cancelled for an adverse underwriting decision which totaled 95 notices. These notices failed to provide a Summary of Rights language to its policyholders, an apparent violation of A.R.S. §§ 20-2108, 20-2109 and 20-2110.

HOMEOWNERS AND PRIVATE PASSENGER AUTOMOBILE
Summary of Findings – Standard 1 File Review
Failed to Provide Summary of Rights
A.R.S. §§ 20-2108, 20-2109 and 20-2110

Files Reviewed	Population	Reviewed	Exceptions	Request #
HO Non Renewals	41	41	41	010
HO UW Reasons	85	50	50	012
PPA Non Renewals	2	1	1	014
PPA UW Reasons	1,237	3	3	017
Totals	1,365	95	95	
			Error Ratio	100%

A 100% error ratio 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 that a Summary of Rights is sent with all cancellation, non renewal or declination notices that involve an adverse underwriting decision by the Company.

CLAIMS PROCESSING

Homeowners (HO):

The Examiners reviewed 50 HO claims closed without payment from a population of 716; 50 HO paid claims from a population of 1,434 and 50 HO subrogation claims from a population of 68. This claim review included a total sample size of 150 HO claims files from a total population of 2,218.

Private Passenger Automobile (PPA):

The Examiners reviewed 50 PPA claims closed without payment from a population of 3,849; 100 PPA paid claims from a population of 6,208; 50 total loss PPA claims out of a population of 854 and 50 PPA subrogation claims out of a population of 1,640. This claims review included a total sample size of 250 PPA claim files from a total population of 12,551.

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
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
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

Claims Processing Standard #5 - failed

Preliminary Finding 001 –Total Loss Taxes and Fees - The Examiners identified six (6) first/third party total loss settlements, in which the Company failed to correctly calculate and pay appropriate tax, license registration and/or air quality fees. Note: All owner retained salvage settlements failed to include appropriate license registration and/or air quality fees. This is an apparent violation of A.R.S. §§ 20-461(A)(6), 20-462(A) and A.A.C. R20-6-801 (H)(1)(b).

PRIVATE PASSENGER TOTAL LOSS AUTOMOBILE CLAIMS

Failed to correctly calculate and pay appropriate tax, license registration and/or air quality fees on total loss settlements

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

Population	Sample	# of Exceptions	% to Sample
854	50	6	12%

A 12% error ratio does not meet the standards; therefore, a recommendation is warranted

Recommendation #3

Within 90 days of the filed date of this Report provide documentation to the Department to show that the Company's procedures have been corrected to comply with Arizona Statutes and Rules when processing total loss settlements for First and Third Parties. Also, the Company should complete a Self-Audit of all Owner Retained salvage claims during the examination period as well as make restitution payments, in the amount of \$128.66 (including interest), to the six (6) total loss settlements shown above.

Claims Processing Standard #5 - failed

Preliminary Finding-003 –Wrong Company name identified on written correspondence: -

The Company failed to identify the appropriate insuring company as Liberty Mutual Fire Insurance Company on written correspondence sent to insureds/claimants on 8 PPA and 14 HO files for a total of 22 documents/correspondence, which is an apparent violation of A.R.S. § 20-461(A)(1).

HOMEOWNER CLAIMS

Failed to include the Correct Insuring Company

A.R.S. §20-461(A)(1)

HOMEOWNERS	Population	Sample	Exceptions	Error Ratio
HO CWP	716	50	5	10%
HO Paid	1,434	50	6	12%
HO Subrogation	68	50	3	6%
Totals	2,218	150	14	9%

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

PRIVATE PASSENGER AUTOMOBILE CLAIMS

Failed to include the Correct Insuring Company

A.R.S. §20-461(A)(1)

PERSONAL AUTO	Population	Sample	Exceptions	Error Ratio
PPA Paid	6,208	100	1	1%
PPA Subrogation	1,640	50	7	14%
Totals	7,848	150	8	5%

A 5% error ratio does not meet the standards; therefore, a recommendation is warranted.

Recommendation # 4

Within 90 days of the filed date of this Report provide the Department with documentation that the Company's procedures are in place to identify the appropriate insuring Company on all Homeowners' and Private Passenger Automobile correspondence including but not limited to claim forms and or letters sent by the Company.

Claims Processing Standard #3 – failed

Preliminary Finding-004– Claim Authorization Disclosures – The Examiners identified two (2) 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.

These forms fail to comply with A.R.S. § 20-2106 (8)(b) and (9) and represent four (4) violations of the statute. The following table summarizes these authorization form findings.

	Form Description / Title	Form #	Statute Provision
1	Authorization for Release of Medical Information	ASC1329C	8(b) and 9
2	Authorization for Release Information	ASC1329D_SIU	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	2	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	2	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 Company procedures are in place so the authorization forms listed above include 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.

Claims Processing Standard #3 – failed

Preliminary Finding 005 – Fraud Warning Statement – The Company failed to provide a fraud warning statement in at least twelve (12) point type on four (4) claim forms. These represent four (4) violations of A.R.S. § 20-466.03. The following table summarizes the fraud warning statement findings.

	Form Description / Title	Form Number
1	Power of Attorney - Automobile	NA
2	Authorization for Payment	NA
3	Authorization for the Release of Medical Information	ASC1329C
4	Authorization for the Release of Information	ASC1329D SIU

CLAIM FORMS

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

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 #6

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 each of the claim forms cited, in accordance with the applicable state statute.

SUMMARY OF FAILED STANDARDS

EXCEPTIONS	Rec. No.	Page No.
UNDERWRITING AND RATING		
<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.	1	14
CANCELLATIONS AND NON RENEWALS		
<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.	2	17
CLAIM PROCESSING		
<u>Standard #5</u> Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	3	20
<u>Standard #5</u> Claims are properly handled in accordance with policy provisions and applicable 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	23
<u>Standard #3</u> The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	6	23

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		
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)	13		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)	20		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	