

STATE OF ARIZONA
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DEPT OF INSURANCE
BY H. T.

REPORT OF TARGET MARKET CONDUCT EXAMINATION

OF

UNITED AUTOMOBILE INSURANCE COMPANY

NAIC #35319

AS OF

June 30, 2013

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GERMAINE L. MARKS
Director of Insurance

Honorable Germaine L. Marks
Director of Insurance
State of Arizona
2910 North 44th 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:

United Automobile Insurance Company
NAIC #35319

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 July 1, 2012 through June 30, 2013.

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 United Automobile Insurance Company (herein referred to as, "UAIC", 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 July 1, 2012 through June 30, 2013 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)

United Automobile Insurance Company (UAIC) was incorporated in the state of Florida in March 1989. In July 1990, UAIC commenced its private passenger automobile insurance business in Florida and has maintained its operations in Florida.

UAIC is a wholly-owned subsidiary of UAIG while UAIG is owned by the Parrillo family. In 1996, UAIC purchased all of the outstanding shares of Argus Fire & Casualty Insurance Company (Argus). Argus primarily provided homeowners multiple peril insurance in the state of Florida.

UAIC is licensed in the states of Arizona, Arkansas, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Nebraska, Nevada, Oklahoma, Pennsylvania, South Carolina and Utah as a property and casualty insurance company, and wrote private passenger nonstandard automobile business in all of the states, except for Kansas, Kentucky, Louisiana and Nebraska. UAIC maintains an insurance operation in the state of Texas, where it assumes business written through a county mutual association; Old American County Mutual (OACM).

Dependent upon each state's insurance laws, UAIC either writes directly through independent insurance agents, or through a managing general agent, United Group Underwriters (UGU).

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 6 compliance issues that resulted in 52 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 correctly apply rates to two (2) PPA New/Renewal Business or Surcharge policies, which resulted in one (1) policyholder being overcharged \$79.00. In addition, the Company failed to comply with its rate filing to order MVRs on every risk.
- 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.

¹ 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 the required 7-day grace period on a total of 41 policies that were cancelled for non-payment of premium.

Claims Processing

In the area of Claims Processing, two (2) compliance issues are addressed in this Report as follows:

- 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 one (1) claim authorization forms.
- The Company failed to correctly calculate and pay the appropriate tax, license registration and/or air quality fees on five (5) PPA first/third party total loss settlements, which resulted in additional payments of \$154.98 (including interest).

FACTUAL FINDINGS

RESULTS OF PREVIOUS MARKET CONDUCT EXAMINATIONS

During the past five (5) years, there were three (3) Market Conduct Examinations completed by the states of Arizona, Nevada and Oklahoma. 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 55,018 and 102 PPA Surcharges files (included 2 sample files) out of a population of 6,401 during the examination period. This new/renewal and surcharge review included a total sample size of 204 PPA files from a total population of 61,419.

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 Standards 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 003 - Filing of Rates – During the Underwriting and Rating review, the Examiners identified three (3) rating errors in which the Company failed to apply the correct driver class code on one (1) PPA New/Renewal policy, applied an incorrect transfer discount on one (1) PPA Surcharge policy and failed to order MVRs on every risk, which are apparent violations of A.R.S. § 20-385.

PRIVATE PASSENGER AUTOMOBILE NEW/RENEWAL POLICIES

Failed to apply Correct Driver Class Code

A.R.S. § 20-385

| Population | Sample | # of Exceptions | % to Sample |
|------------|--------|-----------------|-------------|
| 55,018 | 12 | 1 | 8% |

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

PRIVATE PASSENGER AUTOMOBILE SURCHARGE POLICIES

Failed to correctly apply Transfer Discount

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.

PRIVATE PASSENGER AUTOMOBILE NEW/RENEWAL/SURCHARGE POLICIES

Failed to order MVRs on every risk

A.R.S. § 20-385

| 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 #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 comply with its rate filings and 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 made a restitution payment of \$79.00 to the policyholder owed a refund

for the incorrect Driver Class Code. A copy of letter of explanation and payment were sent to the Department prior to completion of the Examination.

The application of an incorrect Transfer Discount resulted in the policyholder being undercharged, therefore no refund was owed.

During the course of the Examination, the Company agreed with the Examiner's findings and reviewed procedures for applying transfer discounts and class codes. The Company implemented changes to its internal audit process to insure these rating errors do not reoccur. The Company refiled its Underwriting Guide with the ADOI, effective October 15, 2013, which eliminates mention of ordering MVR's.

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 APP 02/13 | 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 September 1, 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 19,254 and 52 PPA cancellation files for underwriting reasons (included 2 sample files) out of a population of 972. This cancellation review included a total sample size of 154 PPA files from a total population of 20,226.

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

The following Cancellation and Non Renewal Standard was met:

| # | 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 |

The following Cancellation and Non Renewal Standard failed:

| # | 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 |

Cancellation and Nonrenewal, Standard #2 - failed

Preliminary Finding 002 – Personal Automobile 7-Day Grace Period – The Examiners identified 41 PPA Cancellations for non-payment of premium where the Company failed to provide the required 7-day grace period after the premium due date, before cancelling PPA policies for non-payment of premium, an apparent violation of A.R.S. § 20-1632.01(A).

PRIVATE PASSENGER AUTOMOBILE 7-DAY GRACE PERIOD

Failed to provide the required 7-day grace period for policies cancelled due to non-payment of premium
A.R.S. § 20-1632.01(A)

| Population | Sample | # of Exceptions | % to Sample |
|------------|--------|-----------------|-------------|
| 19,254 | 102 | 41 | 40% |

A 40% 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 provide policyholders with the required 7-day grace period on PPA cancellations for nonpayment.

Subsequent Events: During the course of the Phase I Examination, the Company agreed with the Examiner's finding that they failed to provide the required 7-day grace period after the premium due date. The Company reviewed all policies cancelled without giving the 7-day grace period and determined no claims were wrongfully denied. The Examiners were advised the changes were implemented effective January 4, 2013 to insure all policyholders are given the proper 7-day grace period.

CLAIMS PROCESSING

Private Passenger Automobile (PPA):

The Examiners reviewed 52 PPA claims closed without payment (included 2 sample files) from a population of 1,709; 52 PPA paid claims (included 2 sample files) from a population of 1,579; 52 total loss PPA claims (included 2 sample files) out of a population of 216 and 50 PPA subrogation claims out of a population of 50. This claims review included a total sample size of 206 PPA claim files from a total population of 3,554.

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 Standards 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 #3 – failed

Preliminary Finding 004 – Disclosure Authorization Forms- Claims – The Examiners identified one (1) claim authorization form (shown in the table below) where 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.

This form failed to comply with A.R.S. § 20-2106(9) and represent one (1) violation of the statute. The following table summarizes the authorization form finding.

| | Form Description / Title | Form # | Statute Provision |
|---|---------------------------------------|--------|-------------------|
| 1 | HIPPA-Health Information Release Form | MDALA | 9 |

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 | 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 #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

- advise 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. The Examiners were advised the change was implemented on September 21, 2013.

Claims Processing Standard #5 - failed

Preliminary Finding 005 –Total Loss Taxes and Fees - The Examiners identified five (5) 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. This resulted in five (5) first/third party total loss settlements being underpaid, 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 AUTOMOBILE TOTAL LOSS 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 |
|-------------------|---------------|------------------------|--------------------|
| 216 | 52 | 5 | 10% |

A 10% error ratio does not meet the Standard; therefore, a recommendation is warranted

Recommendation #5

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 the remaining 164 First or Third party total loss claims during the examination period.

Subsequent Events: During the course of the Examination, the Company agreed with the incorrect settlement of all first/third party total losses and made restitution payments to all parties affected in the amount of \$153.28 plus \$1.70 in interest for a total of \$154.98. Copies of letters of explanation and payments were sent to the Department prior to completion of the Examination.

SUMMARY OF FAILED STANDARDS

| EXCEPTIONS | Rec. No. | Page No. |
|---|-----------------|-----------------|
| UNDERWRITING AND RATING | | |
| <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 | 15 |
| CANCELLATIONS AND NON RENEWALS | | |
| <u>Standard #2</u> 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. | 3 | 18 |
| CLAIM PROCESSING | | |
| <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 #5</u> Claims are properly handled in accordance with policy provisions and applicable 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) | 17 | 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) | 17 | | 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) | 20 | X | |
| 2 | Timely investigations are conducted. (A.R.S. § 20-461, and A.A.C. R20-6-801) | 20 | 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) | 21 | | 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) | 20 | 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) | 21 | | 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) | 20 | 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) | 20 | 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) | 20 | 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) | 20 | 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) | 20 | X | |
| 11 | Adjusters used in the settlement of claims are properly licensed (A.R.S. §§ 20-321 through 20-321.02) | 20 | X | |