

**STATE OF ARIZONA
FILED**

MAY 14 2015

DEPT. OF INSURANCE

REPORT OF TARGET MARKET CONDUCT EXAMINATION

OF

FIRST AMERICAN PROPERTY & CASUALTY INSURANCE COMPANY

NAIC #37710

AS OF

June 30, 2014

TABLE OF CONTENTS

AFFIDAVIT4

FOREWORD5

SCOPE AND METHODOLOGY6

HISTORY OF THE COMPANY7

PROCEDURES REVIEWED WITHOUT EXCEPTION8

EXAMINATION REPORT SUMMARY8

RESULTS OF PREVIOUS MARKET CONDUCT EXAMINATIONS.....10

UNDERWRITING AND RATING.....11

CANCELLATIONS AND NON-RENEWALS14

CLAIMS PROCESSING19

SUMMARY OF FAILED STANDARDS.....25

SUMMARY OF PROPERTY AND CASUALTY STANDARDS26



**Market Oversight Division
Arizona Department of Insurance**

2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7269

Web: www.insurance.az.gov | Phone: (602) 364-4994 | Fax: (602) 364-2505

**Douglas A. Ducey, Governor
Germaine L. Marks, Director**

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:

**First American Property & Casualty Insurance Company
NAIC #37710**

The above examination was conducted by Helene I. Tomme, CPCU, CIE, Market Examinations Supervisor, Examiner-in Charge, and Christopher G. Hobert, CIE, MCM, Market Conduct Senior Examiner and William P. Hobert, CPCU, CIE, Market Conduct Senior Examiner.

The examination covered the period of July 1, 2013 through June 30, 2014.

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 First American Property & Casualty Insurance Company (herein referred to as, "First American P&C", 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), Dwelling Fire (DF) and Personal Automobile (PA) 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, 2013 through June 30, 2014 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)

The First American Corporation bought Great Pacific Insurance Company in 1999 and changed the Great Pacific name to First American Property & Casualty Insurance Company (hereinafter “FAPCIC”, or “Company”) in December, 2000. This change was approved by the Arizona Department of Insurance. In 2010 the First American Corporation became the First American Financial Corporation. FAPCIC is a wholly owned subsidiary of the First American Financial Corporation, with all Underwriting and Claims operations being processed in Santa Ana, California.

FAPCIC entered the Arizona homeowner market in 2000, the dwelling fire market in 2005, and the personal auto market in 2012.

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 8 compliance issues that resulted in 206 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, one (1) compliance issue is addressed in this Report as follows:

- The Company failed to provide 13 PA New Business applicants a *Notice of Insurance Information Practices* at the time personal information was first collected from a source other than the applicant or public records.

Cancellation and Non Renewals

In the area of Cancellations and Non Renewals, three (3) compliance issues are addressed in this Report as follows:

- The Company failed to provide a compliant Summary of Rights, on 49 HO non renewals, 50 HO underwriting cancellations, 23 DF non renewals and 54 DF underwriting cancellation files for a total of 176 notices.
- The Company failed to provide notification for six (6) HO policyholders giving an additional 30-days notice (condition of premises) to remedy the identified conditions.

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

- The Company failed to mail one (1) DF policyholder a cancellation notice at least 30-days prior to the date cancellation takes effect, when a policy has been in effect for 60 days or more.

Claims Processing

In the area of Claims Processing, four (4) compliance issues are addressed in this Report as follows:

- The Company failed to specify the length of time the authorization remains valid (shall be no longer than the duration of the claim) on one (1) claim authorization form.
- 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 form.
- The Company failed to include a fraud warning statement in at least 12-point type on one (1) claim form.
- The Company failed to correctly calculate and pay the Transaction Privilege Tax (TPT) on four (4) HO first party paid claims and three (3) DF first party paid claims, for a total of seven (7) paid claims, which resulted in additional payments of \$1,122.78 (including interest).

FACTUAL FINDINGS

RESULTS OF PREVIOUS MARKET CONDUCT EXAMINATIONS

During the past 5 years, there was 1 Market Conduct Examination completed by the state of California. 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 14,563 during the examination period.

Dwelling Fire (DF):

The Examiners reviewed 50 DF New/Renewal Business files out of a population of 418 during the examination period.

Personal Automobile (PA):

The Examiners reviewed 50 PA New/Renewal Business files out of a population of 59 during the examination period.

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-012- Late Notice During the Underwriting and Rating review, the Company failed to provide 13 PA New Business applicants a *Notice of Insurance Information Practices* at the time personal information was first collected from a source other than the applicant or public records, an apparent violation of A.R.S. § 20-2104(B)(1)(b)

PERSONAL AUTOMOBILE LATE NOTICE

Failed to provide applicants a Notice of Insurance Information Practices when personal information is first collected
A.R.S. § 20-2104(B)(1)(b)

Population	Sample	# of Exceptions	% to Sample
59	50	13	26%

A 26% error ratio 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 provide applicants a Notice of Insurance Information Practices when personal information is first collected to comply with Arizona Statutes and Rules.

Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding. The Company provided the Examiners with a notice acknowledgment for their agent website that must be "clicked" when the agent verbally advises the applicant that information will be collected by sources other than from the applicant and other than from public records.

CANCELLATIONS AND NON-RENEWALS

Homeowners (HO):

The Examiners reviewed 50 HO cancellation files for non-payment of premium out of a population of 604, 50 HO cancellation files for underwriting reasons out of a population of 284 and 50 HO non renewals out of a population of 122. This cancellation and non renewal review included a total sample size of 150 HO files from a total population of 1,010.

Dwelling Fire (DF):

The Examiners reviewed 25 DF cancellation files for non-payment of premium out of a population of 25, 54 DF cancellation files for underwriting reasons out of a population of 54 and 23 DF non renewals out of a population of 23. This cancellation and non renewal review included a total sample size of 102 DF files from a total population of 102.

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

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
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 #1 - failed

Preliminary Finding 006 – Summary of Rights – The Examiners identified 49 HO non renewals, 50 HO underwriting cancellations, 23 DF non renewals and 54 DF underwriting cancellation for a total of 176 notices. These notices failed to provide a compliant Summary of Rights language to its policyholders, an apparent violation of A.R.S. §§ 20-2108, 20-2109 and 20-2110.

**HOMEOWNERS AND DWELLING FIRE
Summary of Findings – Standard 1 File Review
Failed to Provide Compliant Summary of Rights
A.R.S. §§ 20-2108, 20-2109 and 20-2110**

Files Reviewed	Population	Reviewed	Exceptions	Request #
HO Non Renewals	122	49	49	003
HO UW Cancels	284	50	50	004
DF Non Renewals	23	23	23	010
DF UW Cancels	54	54	54	011
Totals	483	176	176	
			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 compliant Summary of Rights is sent with all cancellation, non renewal or declination notices that involve an adverse underwriting decision by the Company.

Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding that its Summary of Rights language needed to be in compliance. The Company implemented the changes effective December 23, 2014 and a corrected copy of the notice was provided to the Department prior to the completion of the Examination.

Cancellation and Nonrenewal, Standard #2 - failed

Preliminary Finding 007— Homeowner Condition of Premises- The Company failed to provide notification for six (6) HO policyholders giving an additional 30-days notice (condition of premises) to remedy the identified conditions prior to sending out the non renewal notice, an apparent violation of A.R.S. § 20-1652(B).

HOMEOWNER CONDITON OF PREMISES

Failure to send out notification of Condition of Premises prior to sending Non Renewal Notices
A.R.S. § 20-1652(B)

Population	Sample	# of Exceptions	% to Sample
122	23	6	26%

A 26% 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 documentation to the Department that Company procedures and controls are in place to ensure that policyholders are offered a condition of premises notification to remedy issues prior to terminating coverage.

Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding and reviewed with their Arizona Underwriters their procedure to provide 30 days advanced notice to remedy a condition on the property. In addition, the Company provided the Examiners with their "Internal Company Underwriter Worksheet", which is a checklist the Underwriter follows throughout underwriting process.

Cancellation and Nonrenewal, Standard #2 - failed

Preliminary Finding 009— Dwelling Fire Cancellation Notices shall be mailed at least 30-days before effective date of cancellation- The Company failed to mail one (1) DF policyholder the cancellation notice 30-days prior to the effective date of the cancellation for a policy that had been in effect for 60 days or more, an apparent violation of policy previsions and A.R.S. § 20-443(A)(1).

DWELLING FIRE UNDERWRITING CANCELLATION NOTICES

Failure to provide 30 day notice prior to a cancellation taking effect

A.R.S. § 20-443(A)(1)

Population	Sample	# of Exceptions	% to Sample
54	7	1	14%

A 14% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation #4

Within 90 days of the filed date of this report, provide documentation to the Department that Company procedures and controls are in place to ensure that policyholders that have been in effect for 60 days or more are mailed a cancellation notice at least 30 days before the date cancellation takes effect.

Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding and reviewed all cancellation notice time requirements with their Arizona

Underwriters. In addition, the Company provided the Examiners with their "Internal Company Underwriter Worksheet", which is a checklist the Underwriter follows throughout underwriting process.

CLAIMS PROCESSING

Homeowners (HO):

The Examiners reviewed 50 HO claims closed without payment from a population of 373; 50 HO paid claims from a population of 521 and 10 HO subrogation claims from a population of 10. This claim review included a total sample size of 110 HO claims files from a total population of 904.

Dwelling Fire (DF):

The Examiners reviewed 24 DF claims closed without payment from a population of 24; 50 DF paid claims from a population of 50 and 2 DF subrogation claims from a population of 2. This claim review included a total sample size of 76 DF claims files from a total population of 76.

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-002 – Disclosure Authorization Forms- Claims – The Examiners identified one (1) claim authorization form (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.

This form failed to comply with A.R.S. § 20-2106 (8)(b) and (9) and represent two (2) violations of the statute. The following table summarizes the authorization form findings.

	Form Description / Title	Form #	Statute Provision
1	HIPPA Complaint Authorization to Disclose Health Information and Other Records	Unknown	8(b) and 9

CLAIM FORM

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	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.

CLAIM FORM

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 #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 form listed above includes 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.

Subsequent Events: During the course of the Examination, the Company provided the corrected form to the Department prior to completion of the Examination and indicated it had been implemented on December 15th, 2014.

Claims Processing Standard #3 – failed

Preliminary Finding 003 – Fraud Warning Statement – The Company failed to provide a fraud warning statement in at least twelve (12) point type on one (1) claim form. This represents one (1) violation of A.R.S. § 20-466.03. The following table summarizes the fraud warning statement findings.

	Form Description / Title	Form Number
1	Release of All Claims	Unknown

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	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 #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 the claim form cited above, 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 and indicated it had been implemented on December 11th, 2014.

Claims Processing Standard #5 – failed

Preliminary Finding-004 – Transaction Privilege Tax (TPT). - The Examiners identified four (4) first party HO settlements and three (3) first party DF settlements for a total of seven (7), which the Company failed to pay the correct Transaction Privilege Tax (TPT), which is an apparent violation of A.R.S. §§ 20-461, 20-462(A) and 44-1201.

HOMEOWNER AND DWELLING FIRE CLAIMS

Summary of Findings – Standard 5 File Review

Failed to pay the correct Transaction Privilege Tax

A.R.S. §§ 20-461, 20-462(A) and 44-1201

Files Reviewed	Population	Reviewed	Exceptions	Requests #
HO Claims Paid	521	50	4	006
DF Claims Paid	50	50	3	012
Totals	571	100	7	
			Error Ratio	7%

A 7% error ratio does not meet the standards; therefore, a recommendation is warranted.

Recommendation #7

Within 90 days of the filed date of this report provide the Department with documentation that Company procedures are in place to correctly calculate and pay the correct Transaction Privilege Tax (TPT) on Homeowner and Dwelling Fire paid claims.

Subsequent Events: During the course of the Examination, the Company agreed with 7 first party underpayments and paid restitution to all parties affected in the amount of \$953.63 plus \$169.15 in interest for a total of \$1,122.78. A copy 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 #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	13
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	16
<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	17
<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.	4	17
CLAIM PROCESSING		
<u>Standard #3</u> The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	5	22
<u>Standard #3</u> The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	6	23
<u>Standard #5</u> Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	7	24

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)	13		X
5	Policies and endorsements are issued or renewed accurately, timely and completely. (A.R.S. §§ 20-1118, 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)	15		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)	15		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	