

ARIZONA DEPARTMENT OF INSURANCE

PERSONAL AUTOMOBILE INSURANCE

CONSUMER AWARENESS POINTS

In addition to the following consumer awareness points, visitors are encouraged to browse the Arizona Department of Insurance website for other helpful auto insurance information. The Arizona Department of Insurance publishes several consumer insurance resources, including *A Personal Automobile Insurance Frequently Asked Questions (FAQ)*, *A Consumer Guide To Automobile Insurance* and an *Automobile Premium Comparison Survey*.

When considering automobile insurance purchases, consumers should bear in mind these "Consumer Awareness Points:"

1. **Household," "Family," or "Intra-Family" Exclusion:** Some automobile policies contain an exclusion (commonly referred to as the "Household," "Family," or "Intra-Family" Exclusion), which limits bodily injury liability coverage available to family members (or residents of the household) injured as a result of the negligence of another insured. Arizona law permits insurers to impose this Exclusion limiting such coverage to \$15,000 per person/\$30,000 per occurrence (Arizona's minimum financial responsibility limits), despite the amount of liability coverage otherwise purchased under the policy. Typically, the Exclusion states:

We do not provide Liability Coverage for any "insured" for "bodily injury" to you or any "family member" to the extent that the limits of liability for this coverage exceed the limits of liability required by the Arizona Financial Responsibility Law.

"Family member" and other key words important to this Exclusion are commonly defined in the policy. To ensure that the policy meets their coverage expectations, consumers should ask if the offered policy contains this Exclusion, and, if so, carefully read the Exclusion, together with the entire policy, and consider the option of purchasing additional coverages to assure that family members/household residents are covered for bodily injury to the extent the consumer expects and intends.

2. **Eligibility:** In determining eligibility for coverage or price, insurers consider a number of factors. However, two of the most commonly used by some insurers are:
 - a) A person's credit history. "A Consumer Guide To Understanding How Insurers Use Credit Information" is on the ARIZONA DEPARTMENT OF INSURANCE web site at www.azinsurance.gov and provides answers to the most frequently asked consumer questions on how insurers use credit history to determine individual rates and coverage availability.
 - b) Reports provided by organizations such as ChoicePoint which uses the Comprehensive Loss Underwriting Exchange (C.L.U.E.) as exchanges for loss history information on an insured, or a particular property. Participating member insurers exchange this prior loss history information between members, sometimes without independent verification of the validity of the information provided by other members. Consumers who believe the information on their C.L.U.E. (or similar report) is erroneous should take steps to correct it. Information on C.L.U.E. and how to correct a report may be obtained at the following web site: www.choicepointinc.com.

3. **Non-Chargeable Automobile Accidents:** Insurers are not permitted to increase the “premium of an insured as a result of an accident not caused or significantly contributed to by the actions of the insured.” A.R.S. § 20-263(A).
4. **Automobile Sixty-Day Discovery Period:** There is a sixty-day period during which automobile insurance may be cancelled by the new insurer for any reason except the location of residence, age, race, color, religion, sex, national origin or ancestry of anyone who is an insured. A.R.S. § 20-1631(C) and (D).
5. **Cancellation/Nonrenewal of an Automobile Policy:** After a policy issued in Arizona has been in effect for sixty days, or if it is a renewal, the policy may only be cancelled for one of the following reasons found in A.R.S. § 20-1631(D):
 - Non-payment of premium.
 - The insurance was obtained through fraudulent misrepresentation.
 - The named insured, any person residing in the same household as the named insured and customarily operating the insured vehicle or any other person who regularly and frequently operates a motor vehicle insured under the policy:
 - (a) Has their driver's license suspended or revoked during the policy period.
 - (b) Becomes permanently disabled (physically or mentally) and does not produce a physician's certificate regarding their ability to operate a motor vehicle.
 - (c) Is or has been convicted during the thirty-six months immediately preceding the effective date of the policy or during the policy period of:
 - (i) Criminal negligence, resulting in death, homicide or assault, arising out of the operation of a motor vehicle.
 - (ii) Operating a motor vehicle while in an intoxicated condition or while under the influence of drugs.
 - (iii) Leaving the scene of an accident.
 - (iv) Making false statements in an application for a driver's license.
 - (v) Reckless driving.
 - The insurer is placed in rehabilitation or receivership by the insurance supervisory official in its state of domicile or by a court of competent jurisdiction or the director has suspended the insurer's certificate of authority based on its financially hazardous condition.
 - The named insured, any person who resides in the same household as the named insured and customarily operates a motor vehicle insured under the policy or any other person who regularly and frequently operates a motor vehicle insured under the policy uses a motor vehicle rated or insured under the policy as a private passenger motor vehicle regularly and frequently for commercial purposes.
 - The Director of Insurance determines that the continuation of the policy would place the insurer in violation state laws or would jeopardize the insurer's solvency.
6. **Additional Reason for Nonrenewal of an Automobile Policy:** In addition to the authorization to nonrenew insurance provided in the third item referenced in paragraph 5 above, an insurer may nonrenew a motor vehicle insurance policy if the named insured, any person who resides in the same household as the named insured and who customarily operates a motor vehicle insured under the policy or any other person who regularly and frequently operates a motor vehicle insured under the policy has had at any time during the thirty-six months immediately before the notice of nonrenewal three or more at-fault

accidents under any motor vehicle insurance policy issued by this insurer in which the property damage paid by the insurer for each accident that occurs:

- On or after January 1, 2001, but prior to January 1, 2002, is more than \$1,900;
- On or after January 1, 2002, but prior to January 1, 2003, is more than \$1,950;
- On or after January 1, 2003, but prior to January 1, 2004, is more than \$1,980;
- On or after January 1, 2004, but prior to January 1, 2005, is more than \$2,030; and
- On or after January 1, 2005 is more than the applicable threshold amount for property damage published by the Arizona Department of Insurance. A.R.S. § 20-1631(E).

7. **Option to Exclude the Offending Operator if Not the Named Insured**: An insurer may not cancel or nonrenew the insurance when a person other than the named insured has violated the third item referenced in paragraph 5 above, or nonrenew the insurance pursuant to paragraph 6 above due to the driving record of an individual other than the named insured, if the named insured agrees in writing to exclude as insured the person by name when operating a motor vehicle and further agrees to exclude coverage to the named insured for any negligence which may be imputed by law to the named insured arising out of the maintenance, operation or use of a motor vehicle by the excluded person. The written agreement that excludes coverage under a policy for a named individual is effective for each renewal of the policy by the insurer and remains in effect until the insurer agrees in writing to provide coverage for the named individual who was previously excluded from coverage. A.R.S. § 20-1631(F).