

## Review Requirements Checklist

### Private Passenger Auto (PPA), Lines 19.2 and 21.1

Insurer's Name(s): \_\_\_\_\_

NAIC #(s): \_\_\_\_\_

REVIEW REQUIREMENTS	REFERENCE (See <a href="http://www.azleg.gov">www.azleg.gov</a> for applicable statute.)	COMMENTS	REFERENCE Form/Page/Para*
<b>I. FORMS</b>			
<b>Applications</b>			
Referenced In the Policy	A.R.S. §§ 20-398(A), 20-1102	If the application is incorporated by reference in or attached to the policy, the application must be filed.	
Statements As Representations, Not Warranties	A.R.S. § 20-1109		
Privacy Notice	A.R.S. § 20-2104(C) and (D)		
Fraud Must Be Material	A.R.S. § 20-463(A)		
<b>Blank Forms</b>			
Blank Forms	Unpublished Requirement	The ADOL will not approve blank forms. The forms should be completed in "John Doe" fashion to illustrate the type of language that will be placed on the form.	
<b>Cancellation &amp; Nonrenewal</b>			
Cancellation & Nonrenewal Provisions	A.R.S. § 20-1631(D), (E), and (F)		
Grace Period Provisions	A.R.S. § 20-1632.01(A), (D)		
Premium Return	A.R.S. § 20-1113(C)		
<b>Filing Standards</b>			
Cannot Be Ambiguous, Misleading Or Deceptive	A.R.S. §§ 20-398(A); 20-1111(A)(2)	The Department may rely on current Arizona case law when determining whether a clause is ambiguous, misleading or deceptive.	
<b>General Provisions</b>			
Charter; Bylaws	A.R.S. § 20-1114		
Contents Of The Policy (Names)	A.R.S. § 20-1113(B)(1)		
Contents Of The Policy (Insurer)	A.R.S. § 20-1113(B)(2)		
Contents Of The Policy (Subject)	A.R.S. § 20-1113(B)(3)		
Contents Of The Policy (Risks)	A.R.S. § 20-1113(B)(4)		
Contents Of The Policy (Time)	A.R.S. § 20-1113(B)(5)		
Contents Of The Policy (Premium)	A.R.S. § 20-1113(B)(6)		
Contents Of The Policy (Conditions)	A.R.S. § 20-1113(B)(7)		
Contents Of The Policy (Minimum Coverage)	A.R.S. § 28-4009(A)	Mandatory financial responsibility law. The owner's motor vehicle liability policy shall: a) designate by explicit description or reference all motor vehicles covered. There is no accumulation of coverage for each separate vehicle covered; and b) insure the person named in the policy as the insured and any other person, as insured, using the motor vehicle with the express or implied permission of the named insured against loss from the liability imposed by law for damages arising out of the ownership, maintenance or use of the motor vehicle and shall provide coverage in at least the amounts of \$15,000/\$30,000/\$10,000. By written agreement, the insurer and the insured may agree to exclude a person when operating the motor vehicle. The person shall be designated by name in the exclusion.	
Assignment	A.R.S. § 20-1122	A policy may be assignable or not assignable, as provided by its terms. Personal injury rights are not assignable. <i>Allstate Ins. Co. v. Druke</i> , 118 Ariz. 301, 576 P2d 489.	

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Execution	A.R.S. § 20-1116	Every insurance policy shall be executed in the name of and on behalf of the insurer by its officer, attorney in-fact, employee or representative duly authorized by the insurer.	
<b>Unacceptable Provisions</b>			
Annulment	A.R.S. § 20-1123	The contract may not provide for the insurer and the insured to retroactively annul the policy after the occurrence of any injury, death, or damage for which the insured may be liable.	
Household Exclusion	A.R.S. § 28-4009.	A household exclusion in an automobile policy that stated there was no coverage for bodily injury to any insured or any member of the insured's family living in the same household was void to the extent that it violated the minimum limits requirement of the Arizona Financial Responsibility Law. The exclusion was valid beyond the coverage amount mandated by the Financial Responsibility Law. <i>Arceneaux v. State Farm Mutual Automobile Ins. Co.</i> , 113 Ariz. 216, 550 P.2d 87 (1976).	
Group Policy	No enabling law for property and casualty group insurance as exists for other types of insurance in Title 20.	There is no provision under Arizona insurance law to issue a group property and casualty policy.	
Non-Licensed Entities	Unpublished Requirement	The form may not reference or refer the policyholder to agents, brokers, managing general agents or other entities which do not possess an Arizona license and which are required pursuant to Title 20 to be licensed in this State.	
Personal Injury Rights Non-Assignability; Med-Pay Subrogation limited.	Unpublished Requirement	The reimbursement of medical payments by the insured to the insurer out of any proceeds recovered by the insured from a third party tortfeasor is unenforceable as an assignment of the insured's cause of action against a third party tortfeasor. <i>Allstate Ins. Co. v Druke</i> , 118 Ariz. 301, 576 P.2d 489 (1978). A.R.S. § 20-259.01(J), however, allows liens for medical payment claims in excess of \$5000.	
Titles Or Headings	A.R.S. § 20-1111(A)(3)		
Void Policy Restrictions	A.R.S. § 20-1115		
Volunteer Work Vehicle Classification	A.R.S. § 20-1631(B)		
Invalidation Of The Policy	A.R.S. § 20-229(C)		
<b>Readable and Understandable Policies</b>			
Readability	A.R.S. § 20-1110.01; A.A.C. R20-6-212	Each insurer is required to test the readability of its policy using the Flesch Readability Formula. A total readability score of 40 or more is required on the Flesch scale. The insurer should enter the Flesch score in the box to the right. The insurer should read the entire rule to determine other requirements of a readable policy.	Flesch Score:
Size of Print	A.R.S. § 20-1110.01; A.A.C. R20-6-212	Size of print in the policy cannot be smaller than 8 point.	
<b>Required Provisions (Other)</b>			
Car Pool Coverage	A.R.S. § 20-259.02(A)		
Liability - primary vs. excess coverage	A.R.S. § 20-1123.01		
Policy must cover permissive users.	A.R.S. § 28-4009(A)(2)	The policy shall insure the person named in the policy as the insured and any other person, as insured, using the motor vehicle or motor vehicles with the express or implied permission of the named insured against loss from the liability imposed by law for damages arising out of the ownership, maintenance or use of the motor vehicle or motor vehicles.	
<b>Uninsured/Underinsured Motorist Coverage (UM/UIM)</b>			
Coverage Offer, Limit Amounts, Applicants and Insured's Selection and Rejection Options	A.R.S. § 20-259.01		
Void Policy Restrictions/Exclusions	A.R.S. §§ 20-1111(A); 20-259.01; Arizona Case Law	<i>Taylor v. Travelers Insurance Company</i> , 196 Ariz. 47, 992 P.2d 1142 (1999) is a restatement of case law that has held that exceptions to coverage not expressly permitted by the UM/UIM statute are void. To assist in making a determination as to whether a policy provision or endorsement is in noncompliance, the ADOL will consider <i>Taylor</i> and all cases cited therein, including but not limited to the following: a. Policy language requiring "physical contact" for UM coverage is void. <i>Lowling v. Allstate Ins. Co.</i> , 176 Ariz. 101, 859 P.2d 724 (1993).	

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		b. UM exclusion of damages caused by a government-owned vehicle is invalid. <i>Transportation Ins. Co. v. Martinez</i> , 899 P.2d 194, 183 Ariz. 33 (Ariz. App. Div. 1, 1995).	
		c. Exclusion denying coverage to an insured injured by an UM while the insured is occupying a vehicle owned by the insured, but not listed in the policy, is invalid. <i>Calvert v. Farmers Ins. Co.</i> , 144 Ariz. 291, 697 P.2d 684 (1985).	
		d. A furnished for regular use exclusion in the UIM coverage is void. <i>State Farm Mutual Automobile Ins. Co. v. Duran</i> , 163 Ariz. 1, 785 P.2d 570 (1989).	
		e. An owned but not insured UIM coverage exclusion in automobile policy is void. All purchased amounts of UM/UIM coverage are protected from policy offsets and reductions which are not permitted by law. <i>Higgins v. Fireman's Fund Ins. Co.</i> , 160 Ariz. 20, 770 P.2d 324 (1989).	
		f. UM excess/escape clause is invalid. Where the insured has paid premiums for a particular UM coverage limit that the statute entitles him to purchase, the statute contains no exception permitting an insurer to set a different limit by eliminating or reducing recovery below actual damages simply because another policy fortuitously also provides some coverage. <i>Rashid v. State Farm Mutual Automobile Ins. Co.</i> , 787 P.2d 1066 (1990).	
		g. UIM excess/escape clauses and prorata limit reduction clauses violate the public policy embodied in A.R.S. § 20-259.01 if applied so as to obviate or reduce the UIM coverage and the injured party has not been fully compensated. <i>Brown v. State Farm Mutual Automobile Ins. Co.</i> , 40 Ariz. Adv. Rep. 18, (1989).	
		h. A named driver exclusion cannot extend to UM/UIM coverage. <i>Employers Mutual Casualty Co. v. McKeon</i> , 159 Ariz. 111, 765 P.2d 513 (1988).	
		i. A policy provision authorizing deduction of workmen's compensation benefits from UM recovery is enforceable if it does not deprive the injured party of full compensation. <i>Terry v. Auto-Owners Ins. Co.</i> , 908 P.2d 60 (Ariz. Ct. App. 1995).	
		j. UM/UIM Act's definition of UIM coverage precludes an insurer from reducing such coverage based on the insured's receipt of workers' compensation benefits. <i>Cundiff v. State Farm Mutual Automobile Insurance Co.</i> , 174 P.3d 270, 271 (Ariz. 2008).	
		k. A contractual provision offsetting the available UM coverage by amounts already claimed under the BI is void. <i>Spain v. Valley Forge Ins. Co.</i> , 152 Ariz. 189, 731 P.2d 84 (1986).	
		l. A non-duplication of benefits endorsement is acceptable only to the extent it will not deprive the injured party of full compensation. <i>Schultz v. Farmers Ins. Co.</i> , 167 Ariz. 148 805 P.2d 381 (1991).	
<b>Transmittal Form</b>			
Filing Transmittal Form	Unpublished Requirement	Paper filings must include a completed Property & Casualty Transmittal Document. The form may be found at the Department's website: <a href="http://www.azinsurance.gov">http://www.azinsurance.gov</a> . As different laws apply, forms and rates must be filed separately.	
<b>Rates</b>			
Minimum Limits	A.R.S. § 20-266	All insurers writing motor vehicle liability policies that insure 6 or less vehicles are required to make available a policy for the mandatory minimum motor vehicle limits as defined in A.R.S. § 28-4009 (\$15,000/\$30,000/\$10,000). An insurer's rating rule that attempts to restrict the insurer's writings to limits higher than the Arizona Financial Responsibility Law's minimum limits would violate the aforementioned statute.	
Rating standards	A.R.S. § 20-383		
Use and File	A.R.S. § 20-385(A)		
Supporting Data	A.R.S. § 20-385(B)	Actuarial support should include, but is not limited to the following:	
		a) Credible loss and expense experience;	
		b) Loss development tables;	
		c) Trend exhibit;	
		d) Indicated rate level exhibit; a list of assumptions made in the filing; and,	
		e) Exhibit(s) showing that due consideration was given to past and prospective loss experience, a reasonable margin for underwriting profit and contingencies, to dividends, savings or unabsorbed premium deposits allowed or returned by the insurer to its policyholders, to past and prospective expenses within and outside Arizona and to all other relevant factors. Although countrywide data may be used in the filing, primary justifications should be based on Arizona specific experience.	

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Consideration	A.R.S. § 20-384(B)	In setting rates, an insurer shall give due consideration to past and prospective loss and expense experience within and outside this state, to catastrophe hazards, to a reasonable margin for underwriting profit and contingencies, to investment income from unearned premium and loss reserves, to trends within and outside this state, to reasonable dividends or savings to be allowed or returned by insurers to their policyholders, members or subscribers and to all other factors, including judgment factors.	
Industrial Insured Experience	A.R.S. § 20-384(E)	Rates and supplementary rate information <u>cannot be based on</u> or include loss and expense experience attributable to insurance coverage issued to an industrial insured.	
<b>Rating Rules</b>			
Not-at-fault accidents are not chargeable	A.R.S. § 20-263(A)	A rating rule by an insurer attempts to increase the premiums of an insured as a result of an accident not caused or significantly contributed to by the actions of the insured is not permitted.	
Full Safety Equipment coverage must be offered with comprehensive coverage	A.R.S. § 20-264		
Monthly Pay Plan	A.R.S. § 20-267		
Violations for driving 65 miles per hour (MPH) or less in 55 MPH zone are not chargeable	A.R.S. § 28-702.01	An insurer shall not consider a violation for driving sixty-five miles per hour or less if the maximum speed limit on a public highway in this state is fifty-five miles per hour as a moving traffic violation against the person for the purpose of establishing rates of motor vehicle insurance charges by the insurer and shall not cancel or refuse to renew a policy of insurance because of the violation. A rating rule that does consider the aforementioned would be disapproved.	
Seat belt violations not are chargeable	A.R.S. § 28-909(E)	An insurer shall not consider a vehicle restraint (lap and shoulder belt) civil traffic violation against the person for the purposes of establishing rates for motor vehicle liability insurance or determining the insurability of the person and an insurer shall not cancel or refuse to renew any policy of insurance because of such a violation. A rating rule that does consider the aforementioned would be disapproved.	
<b>Rating Plan Requirements</b>			
Zip Code Rating	Unpublished Requirement	When an insurer elects to use zip code rating, the insurer's rating plan must include all zip codes.	
Classification	A.R.S. § 20-384(C)		
<b>General Filing References</b>			
Consent To Rate Filings	A.R.S. § 20-385(E); Unpublished Requirement	An insurer may file a rate in excess of that provided by an otherwise applicable filing on a specific risk if the risk agrees. This procedure requires the completion of forms CTRF AZ 385-1 and CTRF AZ 385-2.	
Loss Cost Filing Procedure	ADOI FORM; Unpublished Requirement	Arizona follows ISO format.	

**CERTIFICATION**

I, \_\_\_\_\_, hereby certify that to the best of my knowledge and belief that each form or rate filing involved in this filing: 1) Complies with the review requirements set forth in this Review Requirements Checklist; 2) Contains no provision(s) previously disapproved or required to be corrected and/or revised by the Arizona Department of Insurance; and 3) Does not exceed this insurer's powers, the authority granted by its state of domicile, and its Arizona certificate of authority.

Signature of Officer: \_\_\_\_\_

Date: \_\_\_\_\_

**Important Note:** Pursuant to ARS § 28-4148, each insurer who cancels or becomes aware of the cancellation or nonrenewal of or failure to renew or issuance of a motor vehicle liability insurance policy issued on a vehicle in this state shall provide to the Department of Transportation all cancellations, nonrenewals or new issues for any reason after seven or fewer days have elapsed from the time of processing the cancellation, nonrenewal or new issue of a policy. The insurer shall provide the information by electronic data interchange in a format pursuant to a schedule specified by and in a manner prescribed by the Director of the Department of Transportation. ARS § 20-237 provides that if an insurer has failed to comply with the provisions of section 28-4148, the Director of Insurance shall impose a civil penalty for each violation of not more than two hundred fifty dollars per day for each day the insurer is in violation of section 28-4148. The Director of Insurance also may suspend the insurer's certificate of authority until the insurer complies with the provisions of section 28-4148.

**For further information on reporting the required information, please contact the Arizona Department of Transportation at (602) 712-8308.**