



Department of Insurance

State of Arizona

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Director of Insurance

REGULATORY BULLETIN 2007-01 ¹

TO: Insurance Rating Organizations Insurance Industry Representatives; Insurance Trade Associations; Property & Casualty Insurers; and, Other Interested Parties

From: Christina Urias
Director

Date: February 1, 2007

RE: **Revision of Private Passenger Automobile Property Damage Threshold For Purposes Of A.R.S. § 20-1631(E)**

The Arizona Department of Insurance (“Department”) administers the Arizona Revised Statutes, Title 20, Chapter 6, Article 11, regarding the cancellation or nonrenewal of personal automobile insurance. Article 11 restricts the reasons an insurer may cancel or nonrenew a personal automobile policy, after it has been in effect for 60 days, to the reasons set forth in A.R.S. §20-1631(D). A.R.S. §20-1631(E) sets forth the conditions under which the law permits an insurer to annually nonrenew personal automobile insurance policies and limits such annual nonrenewals to no more than one-half of one percent of all its personal automobile policies.

For accidents occurring after January 1, 2000, A.R.S. § 20-1631(E) requires the Department to annually adjust and publish, to the nearest \$10, the threshold amount of property damages insurers may use to nonrenew private passenger automobile policy nonrenewals under Subsection E. The statute requires the insurer to base the threshold adjustment upon the percentage change in the all-items component of the consumer price index for all urban consumers (CPI-U) of the United States Department of Labor, Bureau of Labor Statistics (BLS). To date, the Department has adjusted the threshold as follows:

Circular Letter Or Bulletin Number	Date	BLS' CPI-U	Property Damage Threshold
Circular Letter 2000-3	2/14/00	2.2%	\$1,840
Regulatory Bulletin 2001-1	2/7/01	3.4%	\$1,900
Regulatory Bulletin 2002-1	1/28/02	2.8%	\$1,950
Regulatory Bulletin 2003-02	1/23/03	1.6%	\$1,980
Regulatory Bulletin 2004-1	2/13/04	2.3%	\$2,030
Regulatory Bulletin 2005-2	2/2/05	2.7%	\$2,080
Regulatory Bulletin 2006-1	1/19/06	3.4%	\$2,150

¹This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes Section 41-1033 for a review of the Statement.

The BLS' most current United States' City Average CPI-U is 3.2%. Therefore, as of the date of this Regulatory Bulletin, **the Department hereby increases the property damage threshold level to \$2,220** ($\$2,150 \times 1.032$ rounded to the nearest \$10). Accordingly, insurers may not use Subsection E to nonrenew personal automobile policies unless all of the requirements stated in A.R.S. § 20-1631(E) are met and the property damage has exceeded \$2,220 in 2007. The \$2,220 threshold will remain in effect until the Department publishes an adjusted threshold in 2008.

If you have any questions regarding this matter, please feel free to contact the Department's Property & Casualty Analyst Supervisor, Jack Sneathen, at (602) 364-3453.