

STATE OF ARIZONA  
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DEPT. OF INSURANCE

**REPORT OF TARGET MARKET CONDUCT EXAMINATION**

**OF**

**ARIZONA HOME INSURANCE COMPANY**

**NAIC #38490**

**AS OF**

**DECEMBER 31, 2013**

## TABLE OF CONTENTS

AFFIDAVIT .....	4
FOREWORD .....	5
SCOPE AND METHODOLOGY .....	5
HISTORY OF THE COMPANY .....	6
PROCEDURES REVIEWED WITHOUT EXCEPTION .....	7
EXAMINATION REPORT SUMMARY .....	7
RESULTS OF PREVIOUS MARKET EXAMINATIONS .....	9
MARKETING AND SALES .....	10
UNDERWRITING AND RATING .....	12
DECLINATIONS, CANCELLATIONS AND NON-RENEWALS .....	15
CLAIM PROCESSING .....	18
SUMMARY OF FAILED STANDARDS .....	22
SUMMARY OF PROPERTY AND CASUALTY STANDARDS .....	23



**Department of Insurance**  
**State of Arizona**  
*Market Oversight Division*  
*Examinations Section*  
Telephone: (602) 364-4994  
Fax: (602) 364-2505

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**JANICE K. BREWER**  
Governor

2910 North 44th Street, Suite 210  
Phoenix, Arizona 85018-7269  
[www.azinsurance.gov](http://www.azinsurance.gov)

**GERMAINE L. MARKS**  
Director of Insurance

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Honorable Germaine L. Marks  
Director of Insurance  
State of Arizona  
2910 North 44<sup>th</sup> Street  
Suite 210, Second Floor  
Phoenix, Arizona 85108-7269

Dear Director Marks:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of Arizona, an examination has been made of the market conduct affairs of the:

**ARIZONA HOME INSURANCE COMPANY**  
**NAIC # 38490**

The above examination was conducted by Senior Market Examiner William Hobert.

The examination covered the period of January 1, 2013 through December 31, 2013.

As a result of that examination, the following Report of Examination is respectfully submitted.

Sincerely yours,

A handwritten signature in black ink that reads "Helene I. Tomme".

Helene I. Tomme, CPCU, CIE  
Market Conduct Examinations Supervisor  
Market Oversight Division

**AFFIDAVIT**

STATE OF ARIZONA                    )  
  )  
County of Maricopa                    )     ss.

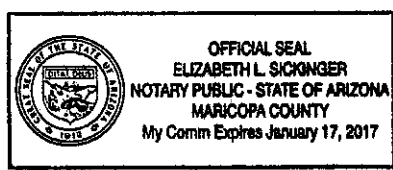
Helene I. Tomme being first duly sworn, states that I am a duly appointed Market Conduct Examinations Examiner-in-Charge for the Arizona Department of Insurance. That under my direction and with my participation and the participation of Senior Market Conduct Examiner William Hobert on the Examination of Arizona Home Insurance Company, hereinafter referred to as "the Company," was performed at Company offices located at 300 West Clarendon Ave, Suite 405, Phoenix, AZ 85013. A teleconference meeting with appropriate Company officials was held to discuss this Report, but a copy was not provided to management as the Examination was incomplete and had not yet been finalized. The information contained in this Report, consists of the following pages, is true and correct to the best of my knowledge and belief and that any conclusions and recommendations contained in and made a part of this Report are such as may be reasonably warranted from the facts disclosed in the Examination Report.

Helene I. Tomme  
Helene I. Tomme, CPCU, CIE  
Market Conduct Examiner-in-Charge  
Market Oversight Division

Subscribed and sworn to before me this 24<sup>th</sup> day of September, 2014.

Elizabeth L. Sickinger  
Notary Public

My Commission Expires January 17, 2017



## **FOREWORD**

This target market conduct examination report of Arizona Home Insurance Company (herein referred to as the “Company”), was prepared by employees of the Arizona Department of Insurance (Department) as well as an independent examiner contracting with the Department. A target 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 examiner 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 product developed in the production of this report, are the sole property of the Department.

The examination consisted of a review of the following Dwelling Fire (DF) and Homeowner (HO) business operations:

1. Complaint Handling
2. Marketing and Sales
3. Producer Compliance
4. Underwriting and Rating
5. Declinations, 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 target market conduct examination of the Company covered the period of

January 1, 2013 through December 31, 2013. 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 7.

In accordance with Department procedures, the examiner 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 examiner 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**

The Company was incorporated in Arizona on 4/18/90 and commenced operations 10/26/90. The Company writes only residential property business solely in Arizona. Arizona Home Holdings, Inc. the parent and sole shareholder of the Company was acquired 9/7/05 by Western Mutual Insurance Company ("Western") and Residence Mutual Insurance Company ("Residential"), which are domiciled in California. Together the companies and Western Mutual

Insurance Services Company, an Arizona and California insurance agency, are the Western Mutual Insurance Group (“the Group”).

The Company, Western and Residential operate under a Service Agreement whereby Western collects premiums and adjusts and pays all losses for any insurance and reinsurance policies or contracts issued by the Company and Residential. Western also provides underwriting, accounting and other financial support services under the Agreement.

The Company’s statutory home office is 2999 North 44<sup>th</sup> Street, Suite 250, Phoenix, AZ 85018. The primary location of books and records is 2172 DuPont Drive, Irvine, CA 92612. The Company focuses on selling HO through producers affiliated with mortgage lenders and homebuilders.

### **PROCEDURES REVIEWED WITHOUT EXCEPTION**

The examiner’s review of the following Company departments<sup>1</sup> or functions indicates that they appear to be in compliance with Arizona statutes and rules:

Complaint Handling    Producer Compliance

### **EXAMINATION REPORT SUMMARY**

The examination revealed ten (10) compliance issues that resulted in 167 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 four (4) of the six (6) sections of Company operations examined. The following is a summary of the examiner’s findings:

#### **Marketing and Sales**

In the area of Marketing and Sales, one (1) compliance issue is addressed in this report as follows:

- The Company used one (1) sales brochure that was untrue, deceptive and misleading.

#### **Underwriting and Rating**

In the area of Underwriting and Rating, two (2) compliance issues are addressed in this report as follows:

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

- The Company failed to provide nineteen (19) DF and twenty-three (23) HO 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.
- The Company failed on nine (9) DF and thirty-eight (38) HO declaration pages to make reference to correct New Loan premium discounts.

### **Declinations, Cancellations 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 use a specific reason to non-renew eight (8) DF and thirty (30) HO policies.
- The Company failed to use a reason allowed by statute to cancel seven (7) DF and twenty (20) HO policies after they had been in effect for sixty (60) days.
- The Company failed to provide two (2) DF and three (3) HO insureds, at least thirty (30) days before the date cancellation takes effect, notice of their policy's pending cancellation.

### **Claims Processing**

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

- The Company failed on one (1) claim authorization form to specify the length of time the authorization remains valid shall be no longer than the duration of the claim.
- The Company failed on one (1) claim authorization form to advise the individual or a person authorized to act on behalf of the individual they are entitled to receive a copy of the authorization form.
- The Company failed on four (4) claim forms to include a fraud warning statement.
- The Company failed with one (1) HO loss to apply a \$1,000 deductible only once.



FACTUAL FINDINGS

RESULTS OF PREVIOUS MARKET EXAMINATIONS

During the past five (5) years the Company has had no market conduct examinations.

FACTUAL FINDINGS

MARKETING AND SALES

**The following Marketing and Sales Standard was not met:**

#	STANDARD	Regulatory Authority
1	All advertising and sales materials are in compliance with applicable statutes, rules and regulations.	A.R.S. §§ 20-442 thru 20-444

**Preliminary Finding #12 – Deceptive, Misleading Sales Material** – The Company’s *Preferred Homeowners Insurance* brochure states:

- (a) “*Top Ranked by the Arizona Department of Insurance*” and
- (b) “*Western Mutual’s Preferred Homeowners Insurance provides you with quality coverage at a fair price.*”

The Arizona Department of Insurance (ADOI) does not rank insurers. This brochure implies that the ADOI endorses Arizona Home Insurance Company, which is not accurate. Further, the reference to Western Mutual gives the impression that Western Mutual is the insuring company, which is misleading. Western Mutual is the parent company of Arizona Home Insurance Company that does not write any business in this state. These statements represent one (1) violation of A.R.S. §§ 20-443(A)(5) and 20-444(A).

**MARKETING & SALES MATERIALS**

Deceptive, misleading sales material distributed to public

Violation of A.R.S. §§ 20-443(A)(5), 20-444(A)

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	1	N/A

**Any violation does not meet the Standard.**

**Subsequent Event**

*The Company ceased using the brochure in solicitation mailers 9/5/14.*

FACTUAL FINDINGS

UNDERWRITING AND RATING

**Dwelling Fire (DF):**

The examiner reviewed fifty (50) DF new business and/or renewal policies from a population of 410.

**Homeowners (HO):**

The examiner reviewed 100 HO new business and/or renewal policies from a population of 13,780.

**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) of the Company Rating Plan.	A.R.S. §§ 20-341 thru 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, 20-2110
3	All forms and endorsements forming a part of the contract should be filed with the director, if applicable.	A.R.S. § 20-398
6	Rescissions are not made for non-material misrepresentations.	A.R.S. §§ 20-463, 20-1109

**The following Underwriting and Rating Standard was not met:**

#	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, 20-2113

**Preliminary Finding #6 – Late Delivery of Notice of Insurance Information Practices –** The Company failed to provide nineteen (19) DF and twenty-three (23) HO 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. These represent forty-two (42) violations of the A.R.S. § 20-2104.

**UNDERWRITING FORMS**

Failed to deliver Notice of Insurance Information Practices before personal info collected  
Violation of A.R.S. § 20-2104

Population	Sample	# of Exceptions	% to Sample
Unknown	42	42	100%

**A 100% error ratio does not meet the Standard; therefore a recommendation is warranted.**

**Recommendation #1**

Within ninety (90) days of the filed date of this report, provide the Department with documentation that Company procedures and controls are in place to ensure all applicants receive a *Notice of Insurance Information Practices* at the time personal information is first collected from a source other than the applicant or public records, in accordance with the applicable statutes.

**Subsequent Event**

*Before the close of the exam, the Company outlined changes to the application process that will provide a system-generated reminder to sales staff to give verbally the abbreviated Notice to applicants and to document the file accordingly.*

**The following Underwriting and Rating Standard was not met:**

#	STANDARD	Regulatory Authority
5	Policies and endorsements are issued or renewed accurately, timely and completely.	A.R.S. §§ 20-443, 20-1120, 20-1121, 20-1654

**Preliminary Finding #7 – Incorrect Policy Discount Reference on Declarations Page** – The Company on nine (9) DF and thirty-eight (38) HO declaration pages made reference to incorrect New Loan premium discounts used to determine policy premium. These differences are confusing and misleading, and represent forty-seven (47) violations of A.R.S. § 20-443(A)(1).

**POLICY FORMS**

Failed to correctly reference policy discounts on DF and HO declarations pages  
Violation of A.R.S. § 20-443(A)(1)

Population	Sample	# of Exceptions	% to Sample
14,190	47	47	100%

**A 100% error ratio does not meet the Standard; therefore a recommendation is warranted.**

**Subsequent Event**

*Before the close of the exam, the Company provided the examiner several examples of both DF and HO declarations pages with the correct percentage discount shown.*

FACTUAL FINDINGS

DECLINATIONS, CANCELLATIONS AND NON-RENEWALS

Dwelling Fire (DF):

The examiner reviewed:

- (1) all ten (10) DF non-payment cancellations;
- (2) all twenty five (25) DF non-renewals; and
- (3) all thirty four (34) DF cancellations for underwriting reasons.

Homeowner (HO):

The examiner reviewed:

- (1) fifty (50) HO non-payment cancellations from a population of 276;
- (2) fifty (50) HO non-renewals from a population of 226; and
- (3) fifty (50) HO cancellations for underwriting reasons from a population of 274.

**The following Declination, 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 applicant and shall not be unfairly discriminatory.	A.R.S. §§ 20-448, 20-2108, 20-2109, 20-2110

**The following Declination, Cancellation and Non-Renewal Standard was not met:**

#	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, 20-1651 through 20-1656

**Preliminary Finding #9 – DF & HO Policies Non-Renewed for Non-Specific Reason -** The Company used a non-specific reason to non-renew eight (8) DF and thirty (30) HO policies. These represent thirty-eight (38) violations of A.R.S. § 20-1653(2).

**DF & HO NON-RENEWALS**

Failed to non-renew DF & HO policies for specific reasons

Violation of A.R.S. § 20-1653(2)

Population	Sample	# of Exceptions	% to Sample
251	75	38	50.7%

**A 50.7% error ratio does not meet the Standard; therefore, a recommendation is warranted.**

**Recommendation #2**

Within ninety (90) days of the filed date of this report, provide the Department with documentation that Company procedures and controls are in place to ensure non-renewal notices sent policyholders contain a specific reason for the Company’s action, in accordance with the applicable state statute.



**Preliminary Finding #10 – DF & HO Cancellations for Reasons Not Allowed by Statute -** The Company failed to use a reason allowed by statute to cancel seven (7) DF and twenty (20) HO policies after they had been in effect for sixty (60) days. These represent twenty-seven (27) violations of A.R.S. § 20-1652 (A).

**DF & HO UNDERWRITING CANCELLATIONS**

Failed to cancel DF & HO policies for reasons allowed by statute  
Violation of A.R.S. § 20-1652(A)

Population	Sample	# of Exceptions	% to Sample
308	84	27	32%

**A 32% error ratio does not meet the Standard; therefore, a recommendation is warranted.**

**Recommendation #3**

Within ninety (90) days of the filed date of this report, provide the Department with documentation that Company procedures and controls are in place to ensure cancellation notices sent policyholders contain a reason for the Company’s action based on a reason permitted by the applicable state statute.

**Subsequent Event**

*Before the close of the exam, the Company started to add more descriptive, specific options to its “drop down” reason menu for the Company’s adverse underwriting actions. When fully implemented, examples of DF and HO non-renewal and underwriting cancellation notices should be given to the Department to ensure future compliance.*

**Preliminary Findings #11 – Late DF & HO Cancellation Notices -** The Company failed to provide two (2) DF and three (3) HO insureds their underwriting cancellation notice at least thirty (30) days before the date the cancellation takes effect. These represent five (5) violations of A.R.S. § 20-443(A)(1) and the Company’s policy provisions.

**DF & HO UNDERWRITING CANCELLATIONS**

Failed to provide underwriting cancellation thirty (30) days before cancellation takes effect  
Violation of A.R.S. § 20-443(A)(1) and Company’s policy provisions

Population	Sample	# of Exceptions	% to Sample
308	84	5	6%

**A 6% error ratio does not meet the Standard; therefore, a recommendation is warranted.**

**Recommendation #4**

Within ninety (90) days of the filed date of this report, provide the Department with documentation that Company procedures and controls are in place to ensure named insureds receive notices of cancellation at least thirty (30) days before the date the cancellation takes effect, in accordance with the applicable state statute and Company policy provisions.

FACTUAL FINDINGS

CLAIM PROCESSING

Dwelling Fire (DF):

The examiner reviewed:

- (1) all nine (9) DF claims closed without payment (CWP); and
- (2) all fifteen (15) DF paid claims.

The Company had no DF subrogated claims.

Homeowner (HO):

The examiner reviewed:

- (1) fifty (50) HO claims CWP from a population of 272;
- (2) fifty (50) HO paid claims from a population of 473; and
- (3) all six (6) HO subrogated claims.

**The following Claim Processing 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 Processing Standard was not met:**

#	STANDARD	Regulatory Authority
3	The Company's 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

**Preliminary Finding #1 – Authorization Disclosures** – On one (1) Company claim authorization form [Medical Information Release Authorization (CL037Rev1)], the Company failed to:

- (a) specify the authorization remains valid for no longer than the duration of the claim; and
- (b) 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.

The form fails to comply with A.R.S. § 20-2106(8)(b) and (9) and represents two (2) violations of the statute.

**CLAIM FORMS**

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 does not meet the Standard.**

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 does not meet the Standard.**

**Subsequent Event**

*Before the close of the exam, the Company provided the examiner with a copy of the cited form containing compliant disclosures.*

**Preliminary Finding #2 – Fraud Warning Statement** – The Company failed to provide a fraud warning statement on the four (4) claims forms shown in the table below. These represent four (4) violations of A.R.S. § 20-466.03.

Form Description / Title	Form #
Medical Information Release Authorization	CL037Rev1
Chain of Evidence Statement	CL230
Non-Waiver Agreement	CL083Rev1
Assignment of Subrogation Rights of Recovery	CI205

**CLAIM FORMS**

Failed to have a fraud warning statement on claim forms  
Violation of A.R.S. § 20-466.03

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	4	N/A

**Any error does not meet the Standard.**

**Subsequent Event**

*Before the close of the exam, the Company provided the examiner with compliant versions of all forms cited in this report.*

**The following Claim Processing Standard was met with comment:**

#	STANDARD	Regulatory Authority
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, A.A.C. R20-6-801

**Preliminary Findings #4 – Unpaid Total Loss Settlement** - The Company failed to accurately calculate and fully pay one (1) HO first party real property loss settlement. This represents one (1) violation of A.R.S. § 20-461(A)(6).

**DF & HO PAID LOSSES**

Failed to correctly calculate and fully pay real property loss settlement  
Violation of A.R.S. § 20-461(A)(6)

Population	Sample	# of Exceptions	% to Sample
488	65	1	1.5%

**A 1.5% error ratio does meet the Standard; therefore a recommendation is not warranted.**

**Subsequent Event**

*Before the close of the exam, the Company paid restitution to the claimant totaling \$1,124.38, which included \$124.38 interest.*

**SUMMARY OF FAILED STANDARDS**

<b>EXCEPTION</b>	<b>Rec. No.</b>	<b>Page No.</b>
<b>MARKETING &amp; SALES</b>		
<u>Standard #1</u> All advertising and sales materials are in compliance with applicable statutes, rules and regulations.	N/A	-----
<b>UNDERWRITING &amp; RATING</b>		
<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 Disclosures to insureds concerning rates and coverage are accurate and timely.	1	14
<u>Standard #5</u> Policies and endorsements are issued or renewed accurately, timely and completely.	N/A	-----
<b>DECLINATIONS, CANCELLATIONS &amp; NON-RENEWALS</b>		
<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, and shall not be unfairly discriminatory.	2, 3 & 4	16 & 17
<b>CLAIM PROCESSING</b>		
<u>Standard #3</u> The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	N/A	-----

**SUMMARY OF PROPERTY AND CASUALTY STANDARDS**

**A. Complaint Handling**

#	STANDARD	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, A.A.C. R20-6-801)	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, A.A.C. R20-6-801)	X	

**B. Marketing and Sales**

#	STANDARD	PASS	FAIL
1	All advertising and sales materials are in compliance with applicable statutes, rules and regulations. (A.R.S. §§ 20-442 thru 20-444)		X

**C. Producer Compliance**

#	STANDARD	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, 20-311 through 311.03)	X	
2	An insurer shall not pay any commission, fee, or other valuable consideration to unlicensed producers. (A.R.S. §§ 20-297 and 20-298)	X	

**D. Underwriting and Rating**

#	STANDARD	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. §§ 20-157, 20-341 through 20-385)	X	
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, 20-2110)	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)	X	

#	STANDARD	PASS	FAIL
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)		X
5	Policies and endorsements are issued or renewed accurately, timely and completely. (A.R.S. §§ 20-1120, 20-1121, 20-1654)		X
6	Rescissions are not made for non-material misrepresentations. (A.R.S. §§ 20-463 and 20-1109)	X	

**E. Declinations, Cancellations and Non-Renewals**

#	STANDARD	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 applicant and shall not be unfairly discriminatory. (A.R.S. §§ 20-448, 20-2108, 20-2109 and 20-2110)	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, 20-1651 through 20-1656)		X

**F. Claim Processing**

#	STANDARD	PASS	FAIL
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)	X	
2	Timely investigations are conducted. (A.R.S. § 20-461, A.A.C. R20-6-801)	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, A.A.C. R20-6-801)		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, A.A.C. R20-6-801)	X	



#	STANDARD	PASS	FAIL
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, A.A.C. R20-6-801)	X	
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)	X	
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)	X	
8	The Company responds to claim correspondence in a timely manner. (A.R.S. §§ 20-461, 20-462, A.A.C. R20-6-801)	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, A.A.C. R20-6-801)	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)	X	
11	Adjusters used in the settlement of claims are properly licensed. (A.R.S. §§ 20-321 through 20-321.02)	X	