



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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CHARLES R. COHEN
Director of Insurance

Former Director S. David Childers issued the following Circular Letter on June 24, 1985:

**INTENTIONAL MISQUOTING OF PERSONAL LINES
PROPERTY AND CASUALTY RATES**

June 24, 1985

The Arizona Department of Insurance holds as one of its highest priorities the investigation of consumer complaints relating to unfair dealing practices between insurers, their agents and the insurance-buying public. As a direct result of a number of such complaints, the Department has recently conducted a limited study into the practice of some insurers of providing a prospective insurer with a premium quotation at the time of application much lower than the premium reflected in the billing that the insured received at policy issuance.

That study covered 21 cases reported to the Department of Insurance and was restricted to quotes for automobile coverage. In those 21 cases the original premium quotations totalled \$10,327, but the ultimate billing to the insureds by the insurer or agency totalled \$15,520 – an increase of over 50%. The additional premium billed over that quoted averaged \$247 per insured. In each case the error was alleged to have been inadvertent.

Upward revisions in rate quotations such as those described could result from errors on the part of the company or agent, errors on the part of the applicant, or false information intentionally supplied by the applicant or the insurer or its agent. It is the position of the Department that where such actions are intentional on the part of the insurer or its agent, a misrepresentation violative of A.R.S. § 20-443 has occurred.

Therefore, the Rates and Regulation Division and the Consumer Affairs Division have been advised to closely monitor and investigate allegations of intentional upward premium quotation adjustments and to vigorously pursue appropriate administrative action against those individuals committing such practices.

S. David Childers
DIRECTOR OF INSURANCE