

STATE OF ARIZONA
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DEPT. OF INSURANCE

REPORT OF TARGET MARKET EXAMINATION

OF

AMCO INSURANCE COMPANY

NAIC #19100

AS OF

December 31, 2006

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Department of Insurance
State of Arizona
Market Oversight Division
Examinations Section
Telephone: (602) 364-4994
Fax: (602) 364-4998

JANET NAPOLITANO
Governor

2910 North 44th Street, 2nd Floor
Phoenix, Arizona 85018-7269
www.id.state.az.us

CHRISTINA URIAS
Director of Insurance

Honorable Christina Urias
Director of Insurance
State of Arizona
2910 North 44th Street
Suite 210, Second Floor
Phoenix, Arizona 85108-7256

Dear Director Urias:

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

AMCO INSURANCE COMPANY
NAIC #19100

The above examination was conducted by Helene I. Tomme, CPCU, CIE, Market Examinations Supervisor, Examiner-in Charge, and Linda L. Hofman, AIE, FLMI, AIRC, CCP, Senior Market Examiner and Christopher G. Hobert, AIE, FLMI, AIRC, CCP Market Examiner.

The examination covered the period of January 1, 2006 through December 31, 2006.

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

Sincerely yours,

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

AFFIDAVIT

STATE OF ARIZONA)
) ss.
County of Maricopa)

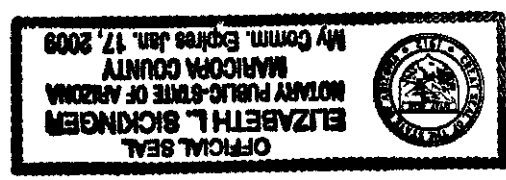
Helene I. Tomme, CPCU, CIE being first duly sworn, states that I am a duly appointed Market Examinations Examiner-in-Charge for the Arizona Department of Insurance. That under my direction and with my participation and the participation of Linda L. Hofman, AIE, FLMI, AIRC, CCP, Senior Market Examiner and Christopher G. Hobert, AIE, FLMI, AIRC, CCP, Market Examiner on the Examination of AMCO Insurance Company, hereinafter referred to as the "Company" was performed at the offices of the Arizona Department of Insurance. A teleconference meeting with appropriate Company officials in Columbus, Ohio as well as representatives in Phoenix, Arizona, Lincoln, Nebraska, Des Moines, Iowa, and Battle Creek, Michigan 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 Examinations Supervisor
Market Oversight Division

Subscribed and sworn to before me this 4th day of October, 2007.

Elizabeth L. Sickinger
Notary Public

My Commission Expires Jan. 17, 2009



FOREWORD

This targeted market examination report of AMCO Insurance Company (herein referred to as "AMCO" or the "Company"), was prepared by employees of the Arizona Department of Insurance (Department) as well as independent examiners contracting with the Department. A market 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 Examiners 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 Private Passenger Automobile (PPA) and Homeowners (HO) lines of business operations:

1. Complaint Handling
2. Marketing and Sales
3. Producer Compliance
4. Underwriting and Rating
5. 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 market examination of the Company covered the period of January 1, 2006 through December 31, 2006 for business reviewed. 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 Examiners 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 Examiners 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, examination 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 form use will not be met if any exception is identified.

HISTORY OF THE COMPANY

AMCO Insurance Company became a part of the insurance holding company system on November 12, 1998.

AMCO Insurance Company, a wholly-owned subsidiary of ALLIED Group, Inc. was incorporated on December 31, 1958 in the state of Iowa.

On November 12, 1998, Nationwide Mutual Insurance Company, through Nationwide Group Acquisition Corporation, its wholly-owned subsidiary, purchased all of the outstanding shares of ALLIED Group, Inc.

Nationwide Mutual Insurance Company is now the sole shareholder of ALLIED Group, Inc.

This is a stock corporation incorporated under the laws of the State of Iowa. The Company underwrites general property and casualty insurance.

PROCEDURES REVIEWED WITHOUT EXCEPTION

The Examiners review of the following Company departments¹ or functions indicates that they appear to be in compliance with Arizona statutes and rules:

Complaint Handling

Marketing and Sales

Producer Compliance

EXAMINATION REPORT SUMMARY

The examination revealed four (4) compliance issues that resulted in 106 exceptions due to the Company's failure to comply with statutes and rules that govern all insurers operating in

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

Arizona. These issues were found in three (3) of the six (6) sections of Company operations examined. The following is a summary of the Examiners' findings:

Underwriting and Rating

In the area of Underwriting and Rating, one (1) compliance issue is addressed in this Report as follows:

- The Company failed to file its amended Whole Dollar Premium Rule with the Department on its PPA Program.

Cancellation and Non Renewals

In the area of Cancellations and Non Renewals, one (1) compliance issue is addressed in this Report as follows:

- The Company failed to include a Summary of Rights on ten (10) PPA Cancellations, ten (10) PPA Non Renewals, thirteen (13) HO Cancellations and forty-four (44) HO Non Renewal notices for a total of seventy-seven (77) policyholders/insureds that were cancelled/non renewed for an adverse underwriting decision.

Claims Processing

In the area of Claims Processing, five (5) compliance issues are addressed in this report as follows:

- The Company failed to reimburse one (1) insured their deductible in a timely manner when subrogation recovery was successful, which resulted in \$550.96 payment including interest.
- The Company failed to pay appropriate tax, license registration and/or air quality fees on one (1) first party total loss claim, which resulted in \$193.00 payment including interest.
- The Company failed to include a fraud warning statement on one (1) claim form and the fraud warning statement in at least 12-point type on eight (8) claim forms for a total of nine (9) documents.

- The Company failed to send a closing/denial letters on eight (8) PPA claim files.
- The Company failed to identify the appropriate insuring company as AMCO Insurance or no company name was listed on written correspondence to insureds/claimants on one (1) complaint, four (4) PPA and four (4) HO files for a total of nine (9).

FACTUAL FINDINGS

RESULTS OF PREVIOUS MARKET EXAMINATIONS

During the past three (3) years, there was one (1) Market Conduct Examination completed by California. There were no significant patterns of non-compliance.

UNDERWRITING AND RATING

Private Passenger Automobile (PPA):

The Examiners reviewed 102 PPA new business/renewal policies (including 2 sample files) out of a population of 9,071 and fifty-two (52) PPA surcharged policies (including 2 sample files) out of a population of 2,852.

Homeowners (HO):

The Examiners reviewed fifty-two (52) HO new business/renewals (including two 2 sample files) out of a population of 2,946.

The following Underwriting and Rating Standards met:

#	STANDARD	Regulatory Authority
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, 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
4	File documentation adequately supports decisions made.	A.R.S. § 20-385
5	Policies and endorsements are issued or renewed accurately, timely and completely.	A.R.S. §§ 20-1120, 20-1121, 1654
6	Rescissions are not made for non-material misrepresentations.	A.R.S. §§ 20-463, 20-1109
7	Authorization for Release of Information forms used for underwriting purposes contains required disclosures.	A.R.S. § 20-2106

The following Underwriting and Rating Standard failed:

#	STANDARD	Regulatory Authority
1	The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company Rating Plan.	A.R.S. §§ 20-341 through 20-385

Underwriting and Rating Standard #1

Preliminary Finding 008 – Whole Dollar Premium Rule – During the Underwriting and Rating review, it was noted that the Company failed to file its amended Whole Dollar Premium Rule with the Department on its PPA Program, which is in violation of A.R.S. § 20-385.

Recommendation #1

Within 90 days of the filed date of this Report submit documentation to the Department that it has procedures in place to include filing all forms and/or rate changes to comply with Arizona Statutes and. Rules.

*Subsequent Events: During the course of the Phase I Examination, the Company acknowledged that it had inadvertently omitted a revision to the **Whole Dollar Premium Rule** and is willing to file its amendment. However, the PPA Program is due to expire and the status of this filing will be left up to the ADOI.*

CANCELLATIONS AND NON-RENEWALS

Private Passenger Automobile (PPA):

The Examiners reviewed fifty-six (56) PPA cancellation files (including six 6 sample files) for non payment, underwriting reasons and declinations out of a population of 1,911 and twenty-four (24) PPA non renewal files (including two 2 sample files) out of a population of twenty-four (24).

Homeowners (HO):

The Examiners reviewed fifty-six (56) HO cancellation files (including six 6 sample files) for non payment, underwriting reasons and declinations out of a population of 2,738, and forty-nine (49) HO non renewal files (including two 2 sample files) out of a population of forty-nine (49).

The following Cancellation and Non-Renewal Standard met:

#	STANDARD	Regulatory Authority
2	Cancellation 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.	A.R.S. §§ 20-191, 448, 1631, 20-1632, 20-1632.01, 1651 through 1656

The following Cancellation and Non-Renewal Standard failed:

#	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 policyholder and shall not be unfairly discriminatory.	A.R.S. §§ 20-448, 2108, 20-2109, 20-2110

Cancellation and Non-Renewal Standard #1

Preliminary Finding 010 – Summary of Rights – The Examiners reviewed ten (10) PPA Cancellations, ten (10) PPA Non Renewals, thirteen (13) HO Cancellations and forty-four (44) HO Non Renewals for a total of seventy-seven (77) files, in which the Company failed to include the Summary of Rights in its Notices of Cancellation, Declinations or Non renewals for adverse underwriting decisions, an apparent violation of A.R.S. §§ 20-2108, 20-2109 and 20-2110.

PRIVATE PASSENGER AUTOMOBILE CANCELLATIONS

Failed to include Summary of Rights in the event of an adverse underwriting decision
A.R.S. §§ 20-2108, 20-2109 and 20-2110

Population	Sample	# of Exceptions	% to Sample
1,911	56	10	18%

An 18% error ratio does not meet the Standard; therefore, a recommendation is warranted.

PRIVATE PASSENGER AUTOMOBILE NON RENEWALS

Failed to include Summary of Rights in the event of an adverse underwriting decision
A.R.S. §§ 20-2108, 20-2109 and 20-2110

Population	Sample	# of Exceptions	% to Sample
24	24	10	42%

A 42% error ratio does not meet the Standard; therefore, a recommendation is warranted.

HOMEOWNERS' CANCELLATIONS

Failed to include Summary of Rights in the event of an adverse underwriting decision
A.R.S. §§ 20-2108, 20-2109 and 20-2110

Population	Sample	# of Exceptions	% to Sample
2,738	56	13	23%

A 23% error ratio does not meet the Standard; therefore, a recommendation is warranted.

HOMEOWNERS' NON RENEWALS

Failed to include Summary of Rights in the event of an adverse underwriting decision
A.R.S. §§ 20-2108, 20-2109 and 20-2110

Population	Sample	# of Exceptions	% to Sample
49	49	44	90%

A 90% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation #2

Within 90 days of the filed date of this report provide the Department with documentation that Company procedures are in place so that the required Summary of Rights is sent with all cancellation, non renewal or declination notices that involve an adverse underwriting decision by the Company.

Subsequent Events: During the course of the Phase I Examination, the Company disagreed with the Examiner's findings. The Examiners feel the finding is appropriate and stands as written.

CLAIMS PROCESSING

Private Passenger Automobile (PPA):

The Examiners reviewed fifty-two (52) PPA claims closed without payment (including 2 sample files) from a population of 300; fifty-two (52) PPA paid claims (including 2 sample files) from a population of 3,856; fifty-two (52) total loss PPA claims (including 2 sample files) out of a population of 164 and fifty-two (52) PPA subrogation claims (including 2 sample files) out of a population of 104.

Homeowners (HO):

The Examiners reviewed fifty-two (52) HO claims closed without payment (including 2 sample files) from a population of 122; fifty-two (52) HO paid claims (including 2 sample files) from a population of 296 and eight (8) HO subrogation claims out of a population of eight (8).

All claim files were reviewed to ensure compliance with Arizona Statutes and Rules.

The Following 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
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 claimants 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 Standards passed 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, A.A.C. R20-6-801
7	Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner.	A.R.S. §§ 20-461, 20-462, A.A.C. R20-6-801

The following Claim Standards failed:

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

Claims Processing Standard #5 – passed with comment:

Preliminary Finding-002 – Private Passenger Automobile total losses:

The Examiners identified one (1) first party total loss settlement, in which the Company failed to pay the appropriate tax. This is a violation of A. R. S. §§ 20-268, 20-461(A)(6), 20-462 and AAC R20-6-801(H)(1)(b).

PRIVATE PASSENGER AUTOMOBILE CLAIMS

Failed to pay appropriate Taxes on a total loss

A.R.S. §§ 20-268, 20-461(A)(6), 20-462(A) and A.A.C. R20-6-801 (H)(1)(b)

Population	Sample	# of Exceptions	% to Sample
164	52	1	2%

A 2% error ratio meets the standards; therefore, no recommendation is warranted.

Subsequent Events: During the course of the Phase I Examination, the Company agreed and made a restitution payment to a first party insured in the amount of \$176.38 plus \$16.62 in interest. A copy of the letter of explanation and payment were sent to the Department prior to completion of the Examination.

Claims Processing Standard #7 – passed with comment:

Preliminary Finding-001 – PPA subrogation against adverse carrier – delay in returning deductible. The Examiners identified one (1) first party private passenger automobile total loss settlement, in which the Company failed to return the insured's deductible in a timely manner after subrogation recovery was successful, which is an apparent violation of A.R.S. §§ 20-461, 20-462 and A.A.C. R20-6-801 (H)(4).

PRIVATE PASSENGER AUTOMOBILE CLAIMS
Failed to return insured's deductible in a timely manner
A.R.S. §§ 20-461, 20-462 and A.A.C. R20-6-801 (H)(4).

Population	Sample	# of Exceptions	% to Sample
104	52	1	2%

A 2% error ratio meets the standards; therefore, no recommendation is warranted

Subsequent Events: Prior to the Examiners coming onsite for the Phase I Examination, the Company reimbursed the insured their \$500.00 deductible. However, interest in the amount of \$50.96 was not paid until after the Examiners were onsite. A copy of the letter of explanation and payment were sent to the Department prior to completion of the Examination.

Claims Processing Standard #3 failed

Preliminary Finding-004 – Fraud Warning Statement. The Company failed to include the Fraud Warning statement on one (1) form and failed to use at least twelve-point type on eight (8) forms that included the Fraud Warning Statement for a total of nine (9) claim forms listed below. These forms appear to be in violation of A.R.S. § 20-466.03.

Form without Fraud warning statement:

Authorization Information Release

Forms with Fraud warning but require at least “12-pt type”:

HO Estimate Letter

Authorization to Obtain Information

Appendix F Odometer Statement

Appendix G Affidavit of Vehicle Fire with Lienholder

Appendix H Affidavit of Vehicle Fire without Lienholder

Appendix E Affidavit of Vehicle Theft with Lienholder

Appendix F Affidavit of Vehicle Theft without Lienholder

Affidavit of Vehicle Theft (Business Auto)

PRIVATE PASSENGER AUTOMOBILE CLAIMS

Failed to include the Fraud Warning statement or to use at least twelve- point type
A.R.S. §§ 20-466.03.

Population	Sample	# of Exceptions	% to Sample
31 forms	31	9	29%

A 29 % error ratio does not meet the Standard; however, the Company corrected these forms during the examination.

Subsequent Events: During the course of the Phase I Examination, the Company agreed and has provided copies of the corrected forms. A copy of all nine corrected forms was sent to the Department prior to completion of the Examination.

Claims Processing Standard #5 failed

Preliminary Finding-005 – Closed Without Payment (CWP) No letters sent to Private Passenger Automobile (PPA) and Homeowner (HO) insureds/claimants:

The Company failed to send written correspondence on eight (8) PPA claim files where the Company was closing or denying a claim. This is an apparent violation of AAC R20-6-801 (G)(1)(a).

PRIVATE PASSENGER AUTOMOBILE CLAIMS

Failed to send written closure/denial letters

AAC R20-6-801 (G)(1)(a)

Population	Sample	# of Exceptions	% to Sample
300	52	8	15%

A 15% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation #3

Within 90 days of the filed date of this report provide the Department with documentation that the Company's claims procedures are in place to require that a letter is sent to all Private Passenger Automobile insureds/claimants advising them of the Company's decision to close or deny a claim.

Subsequent Events: During the course of the Phase I Examination, the Company agreed with 21 out of the 28 files and disagreed with 7 files. The Examiners feel that consistency in closure/denial letter is needed as the Company was sending out similar letters.

In recent correspondence, the Company supplied additional information on seven (7) PPA and nine (9) HO claim files and a total of sixteen (16) files were removed from this finding. The Report is revised to show the remaining nine (9) PPA and three (3) HO claims files stand as written.

Due to additional information provided by the Company on January 11, 2008, the Department agreed to delete one additional PPA file and the remaining 3 HO claim files. Report revised to show eight (8) PPA claims files stand as written and remaining HO claims files deleted.

Claims Processing Standard #5 failed

Preliminary Finding-009 – Wrong Company name identified on written correspondence: - The Company failed to identify the appropriate insuring company as AMCO Insurance Company or no company name was listed on written correspondence sent to insureds/claimants on one (1) complaint, four (4) PPA and four (4) HO files for a total of nine (9) documents/correspondence, which is an apparent violation of A.R.S. § 20-461(A)(1).

CONSUMER COMPLAINTS (PPA and HO Correspondence)

Failed to identify the appropriate insuring company
A.R.S. § 20-461(A)(1)

Population	Sample	# of Exceptions	% to Sample
11	11	1	9%

A 9% error ratio does not meet the standards; therefore, a recommendation is warranted.

PRIVATE PASSENGER AUTOMOBILE CLAIMS

Failed to identify the correct insuring company
A.R.S. § 20-461(A)(1)

Population	Sample	# of Exceptions	% to Sample
300	52	4	8%

An 8% error ratio does not meet the Standard; therefore, a recommendation is warranted.

HOMEOWNERS' CLAIMS

Failed to identify the correct insuring company
A.R.S. § 20-461(A)(1)

Population	Sample	# of Exceptions	% to Sample
122	52	4	8%

An 8% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation # 4

Within 90 days of the filed date of this report provide the Department with documentation that the Company's procedures are in place to identify the appropriate insuring Company on all Private Passenger Automobile and Homeowners' correspondence including but not limited to complaint and claim forms sent by the Company.

Subsequent Events: During the course of the Phase I Examination, the Company agreed the wrong Company name or no Company name was on 9 written correspondence.

SUMMARY OF FAILED STANDARDS

EXCEPTION	Rec. No.	Page No.
UNDERWRITING AND RATING		
<u>Standard #1</u> The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company Rating Plan.	1	13
CANCELLATIONS AND NON RENEWALS		
<u>Standard #1</u> Declinations, Cancellations and Non-Renewals shall comply with state laws and company guidelines including the Summary of Rights to be given to the policyholder and shall not be unfairly discriminatory.	2	16
CLAIMS PROCESSING		
<u>Standard #3</u> The company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	DNA	21
<u>Standard #5</u> Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	3 & 4	22 & 23

SUMMARY OF PROPERTY AND CASUALTY STANDARDS

Complaint Handling

#	STANDARD	PAGE	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 and A.A.C. R20-6-801)	7	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 and A.A.C. R20-6-801)	7	X	

Marketing and Sales

#	STANDARD	PAGE	PASS	FAIL
1	All advertising and sales materials are in compliance with applicable statutes, rules and regulations. (A.R.S. § 20-442)	7	X	

Producer Compliance

#	STANDARD	PAGE	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 and 20-311 through 311.03)	7	X	
2	An insurer shall not pay any commission, fee, or other valuable consideration to unlicensed producers. (A.R.S. § 20-298)	7	X	

Underwriting and Rating

#	STANDARD	PAGE	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. §§ 20-341 through 20-385)	12		X

#	STANDARD	PAGE	PASS	FAIL
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 and 20-2110)	12	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)	12	X	
4	File documentation adequately supports decisions made. (A.R.S. § 20-385)	12	X	
5	Policies and endorsements are issued or renewed accurately, timely and completely. (A.R.S. §§ 20-1120, 20-1121 and 20-1654)	12	X	
6	Rescissions are not made for non-material misrepresentations. (A.R.S. §§ 20-463 and 20-1109)	12	X	
7	Authorization for Release of Information forms used for underwriting purposes contain required disclosures (A.R.S. § 20-2106)	12	X	

Cancellation and Non-Renewals

#	STANDARD	PAGE	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 policyholder and shall not be unfairly discriminatory. (A.R.S. §§ 20-448, 20-2108, 20-2109 and 20-2110)	15		X
2	Cancellation 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 (A.R.S. §§ 20-191, 20-448, 20-1631, 20-1632, 20-1632.01 and 20-1651 through 20-1656)	15	X	

Claims Processing

#	STANDARD	PAGE	PASS	FAIL
1	The initial contact by the company with the claimant is within the required time frame. (A.R.S. § 20-461 and A.A.C. R20-6-801)	18	X	
2	Timely investigations are conducted. (A.R.S. § 20-461, and A.A.C. R20-6-801)	18	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, and A.A.C. R20-6-801)	21		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 and A.A.C. R20-6-801)	18	X	
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 and A.A.C. R20-6-801)	22		X
6	The company uses reservation of rights and excess of loss letters, when appropriate. (A.R.S. § 20-461 and A.A.C. R20-6-801)	18	X	
7	Deductible reimbursement to insureds upon subrogation recovery is made in a timely and accurate manner. (A.R.S. §§ 20-461, 20-462 and A.A.C. R20-6-801)	19	X	
8	The company responds to claim correspondence in a timely manner. (A.R.S. § 20-461, 20-462 and A.A.C. R20-6-801)	18	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 and A.A.C. R20-6-801)	18	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)	18	X	
11	Adjusters used in the settlement of claims are properly licensed (A.R.S. §§ 20-321 through 20-321.02)	18	X	