

STATE OF ARIZONA  
FILED

JUN 25 2013

DEPT. OF INSURANCE

**REPORT OF TARGET MARKET CONDUCT EXAMINATION**

**OF**

**ALPHA PROPERTY & CASUALTY INSURANCE COMPANY**

**NAIC #38156**

**AS OF**

**June 30, 2012**

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**JANICE K. BREWER**  
Governor

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**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 85018-7269

Dear Director Marks:

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

**Alpha Property & Casualty Insurance Company**  
**NAIC #38156**

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

The examination covered the period of January 1, 2011 through June 30, 2012.

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



## FOREWORD

This targeted market conduct examination report of the Alpha Property & Casualty Insurance Company (herein referred to as, "Alpha", 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 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 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 products 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 Auto (PPA) 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 conduct examination of the Company covered the period of January 1, 2011 through June 30, 2012 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 8.

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, 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**

(Provided by the Company)

Alpha Property & Casualty Insurance Company ("Alpha") has been part of the Kemper Corporation (formerly called Unitrin, Inc.) holding company system since October 2, 1995. Alpha is a stock insurance company 100% owned by Trinity Universal Insurance Company ("Trinity"). Its former owner, Milwaukee Insurance Group, Inc. was purchased by Trinity and the Kemper Corporation family and with such acquisition came Alpha. After a period of reorganization after the acquisition, Alpha became a direct subsidiary of Trinity.

Alpha was incorporated in Wisconsin on December 19, 1979. Alpha has written a large variety of personal and commercial property and casualty products since its incorporation. In recent years, its business has been primarily focused on auto insurance, including some motorcycle business. It writes business in the nonstandard insurance market.

## **PROCEDURES REVIEWED WITHOUT EXCEPTION**

The Examiners 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

Marketing and Sales

Producer Compliance

## **EXAMINATION REPORT SUMMARY**

The examination identified 8 compliance issues that resulted in 75 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 three (3) of the six (6) sections of Company operations examined. The following is a summary of the Examiner's findings:

### **Underwriting and Rating**

In the area of Underwriting and Rating, three (3) compliance issues are addressed in this Report as follows:

- The Company failed to file its rates on three (3) PPA Surcharge policies, which resulted in policyholders being overcharged.
- The Company failed to specify the length of time the authorization remains valid under the applicant authorization section of its PPA application. This resulted in two (2) exceptions.
- The Company 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 on its PPA application. This resulted in two (2) exceptions.

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



### **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 provide a Summary of Rights, on 1 PPA non renewal and 15 PPA cancellations for underwriting reasons to its policyholders/insureds cancelled for an adverse underwriting decision for a total of 16 notices.

### **Claims Processing**

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

- The Company failed to specify the length of time the authorization remains valid (shall be no longer than the duration of the claim) on two (2) claim authorization forms.
- The Company 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 on two (2) claim authorization forms.
- The Company failed to correctly calculate and pay the appropriate tax, license registration and/or air quality fees on 29 PPA first/third party total loss settlements, which resulted in additional payments of \$1,749.33 (including interest).
- The Company failed to identify the appropriate insuring company name on 4 PPA closed without payment, 2 PPA paid, 7 PPA subrogation and 6 PPA total loss claims for a total of 19 claims correspondence/letters.

FACTUAL FINDINGS

**RESULTS OF PREVIOUS MARKET CONDUCT EXAMINATIONS**

During the past five (5) years, there was one (1) Market Conduct Examination completed by the Commonwealth of Virginia. No significant patterns of non-compliance were noted.

**UNDERWRITING AND RATING**

Private Passenger Automobile (PPA):

The Examiners reviewed 100 PPA New/Renewal Business files out of a population of 16,243 and 100 PPA Surcharge files out of a population of 6,941 during the examination period. This new/renewal and surcharge review included a total sample size of 200 PPA files from a total population of 23,184.

All new/renewal and surcharge files reviewed were to ensure compliance with Arizona Statutes and Rules.

**The following Underwriting and Rating Standards were 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, 20-443, 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
5	Policies and endorsements are issued or renewed accurately, timely and completely.	A.R.S. §§ 20-1120, 20-1121, 20-1632 and 20-1654
6	Rescissions are not made for non-material misrepresentations.	A.R.S. §§ 20-463, 20-1109

**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
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

**Underwriting and Rating, Standard # 1 – failed**

**Preliminary Finding-003- Filing of Rates** – During the Underwriting and Rating review, the Examiners identified three (3) PPA Surcharged policies in which the Company failed to file its rates. This resulted in rating errors for three (3) policyholders being overcharged, which is a violation of A.R.S. § 20-385.

**PRIVATE PASSENGER AUTOMOBILE  
Manually Rated Surcharged Policies  
Summary of Findings – Standard 1 File Review  
Failed to file rates  
A.R.S. § 20-385**

<b>Files Reviewed</b>	<b>Reviewed</b>	<b>Exceptions</b>	<b>Request #</b>
PPA Surcharges	12	3	008a
<b>Totals</b>		<b>3</b>	
		<b>Error Ratio</b>	<b>25%</b>

**A 25% error ratio does not meet the Standard; therefore, a recommendation is warranted.**

**Recommendation #1**

Within 90 days of the filed date of this Report submit documentation to the Department that it has procedures and controls in place to apply all rates correctly to comply with Arizona Statutes and Rules.

*Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding and made restitution payment of \$198.00 to all policyholders owed refunds. Copies of letters of explanation and payments were sent to the Department prior to completion of the Examination. Also, the Company submitted its SERFF filing UNTR-128723682 on October 11, 2012 to the Department which addressed the issues cited above.*

*Furthermore, the Company completed a self-audit of 2,140 policies that were overcharged as a result of unfiled rates. This resulted in restitution payments to the policyholders affected in the amount of \$110,040.00. Copies of letters of explanation and payments were sent to the Department prior to completion of the Examination.*

**Underwriting and Rating, Standard # 4 – failed**

**Preliminary Finding-001– Disclosure Authorization Forms - Underwriting** – The Examiners identified two (2) policy applications (shown in the table below) where the Company failed to:

- specify the authorization remains valid one year from the date the authorization on the application is signed involving property or casualty insurance; and
- 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.

These forms fail to comply with A.R.S. § 20-2106(7)(b) and (9) and represent four (4) violations of the statute. The following table summarizes these application form findings.

	<b>Form Description / Title</b>	<b>Form #</b>	<b>Statute Provision</b>
1	Arizona Automobile Insurance Application	U-815 (08/04)	7(b) and 9
2	Arizona Automobile Insurance Application	U-815 (04/12)	7(b) and 9

**UNDERWRITING FORMS**

Failed to specify the authorization remains valid one year from the date authorization is signed on the application  
Violation of A.R.S. § 20-2106(7)(b)

<b>Population</b>	<b>Sample</b>	<b># of Exceptions</b>	<b>% to Sample</b>
N/A	N/A	2	N/A

**Any error or exception identified in the areas of a procedure or forms use does not meet the Standard; therefore a recommendation is warranted.**

**UNDERWRITING FORMS**

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)

<b>Population</b>	<b>Sample</b>	<b># of Exceptions</b>	<b>% to Sample</b>
N/A	N/A	2	N/A

**Any error or exception identified in the areas of a procedure or forms use 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 the application form listed above includes the following:

- specify the authorization remains valid one year from the date the authorization on the application is signed involving property or casualty insurance; and
- 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 , in accordance with the applicable state statute.

*Subsequent Events: During the course of the Examination, the Company agreed with the Examiner's finding and provided a copy of its November 30, 2012 SERFF filing UNTRN-128790180, which included the revised PPA Application and was implemented January 2013, to the Department prior to the completion of the Examination.*

**CANCELLATIONS AND NON-RENEWALS**



**Private Passenger Automobile (PPA):**

The Examiners reviewed 50 PPA cancellation files for non-payment of premium out of a population of 3,452, 15 PPA cancellation files for underwriting reasons out of a population of 15 and 1 PPA non renewals out of a population of 1. This cancellation, non renewal and declination review included a total sample size of 66 PPA files from a total population of 3,468.

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

**The following Cancellation and Non Renewal Standard was 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, 20-1631, 20-1632, 20-1632.01, 20-1651 through 20-1656

**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, 20-2108, 20-2109, 20-2110

**Cancellation and Nonrenewal, Standard #1 – failed**

**Preliminary Finding 002 – Summary of Rights** – The Examiners identified 1 PPA non renewal and 15 PPA cancellations for underwriting reasons, cancelled for an adverse underwriting decision, which totaled 16 notices. These notices failed to provide a Summary of Rights language to its policyholders, an apparent violation of A.R.S. §§ 20-2108, 20-2109 and 20-2110.

**PRIVATE PASSENGER AUTOMOBILE**  
**Summary of Findings – Standard 1 File Review**  
**Failed to Provide Compliant Summary of Rights**  
**A.R.S. §§ 20-2108, 20-2109 and 20-2110**

<b>Files Reviewed</b>	<b>Population</b>	<b>Reviewed</b>	<b>Exceptions</b>	<b>Request #</b>
PPA Non Renewals	1	1	1	007
PPA UW Reasons	15	15	15	010
<b>Totals</b>	<b>16</b>	<b>16</b>	<b>16</b>	
			<b>Error Ratio</b>	<b>100%</b>

**A 100% 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 Company procedures are in place so that a 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 Examination, the Company agreed with the Examiner's finding that its Summary of Rights language needed to be added. The Company implemented the changes effective March 1, 2013 and a corrected copy of the notice was provided to the Department prior to the completion of the Examination.*

**CLAIMS PROCESSING**

Private Passenger Automobile (PPA):

The Examiners reviewed 50 PPA claims closed without payment from a population of 349; 50 PPA paid claims from a population of 542; 36 total loss PPA claims out of a population of 130 and 50 PPA subrogation claims out of a population of 119. This claims review included a total sample size of 186 PPA claim files from a total population of 1,140.

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

**The Following Claim 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 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, 20-468, 20-469 and A.A.C. R20-6-801

**Claims Processing Standard #3 – failed**

**Preliminary Finding-005 – Disclosure Authorization Forms- Claims –** The Examiners identified two (2) claim authorization forms (shown in the table below) where the Company failed to:

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

These forms fail to comply with A.R.S. § 20-2106 (8)(b) and (9) and represent four (4) violations of the statute. The following table summarizes these authorization form findings.

	Form Description / Title	Form #	Statute Provision
1	Authorization For Release of Information	Unknown	8(b) and 9
2	Authorization For Release of Information And Inspection of Loss	Unknown	8(b) and 9

**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	2	N/A

**Any error or exception identified in the areas of a procedure or forms use does not meet the Standard; therefore a recommendation is warranted.**

**CLAIM FORMS**

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	2	N/A

**Any error or exception identified in the areas of a procedure or forms use 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 Company procedures are in place so the authorization forms listed above include the following

- specify the authorization remains valid for no longer than the duration of the claim; and
- advises the individual or a person authorized to act on behalf of the individual that the individual or the individual's authorized representative is entitled to receive a copy of the authorization form, in accordance with the applicable state statute.

*Subsequent Events: During the course of the Examination, the Company agreed with the finding and provided the corrected forms (currently in use) to the Department prior to completion of the Examination.*

**Claims Processing Standard #5 - failed**

**Preliminary Finding 004 –Total Loss Taxes and Fees** - The Examiners identified 29 first/third party total loss settlements, in which the Company failed to correctly calculate and pay appropriate tax, license registration and/or air quality fees. This resulted in 29 first/third party total loss settlements being underpaid, an apparent violation of A.R.S. §§ 20-461(A)(6), 20-462(A) and A.A.C. R20-6-801 (H)(1)(b).

**PRIVATE PASSENGER AUTOMOBILE TOTAL LOSS CLAIMS**

Failed to correctly calculate and pay appropriate tax, license registration and/or air quality fees on total loss settlements

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

Population	Sample	# of Exceptions	% to Sample
130	36	29	81%

**An 81% error ratio does not meet the Standard; therefore, a recommendation is warranted**

**Recommendation #5**

Within 90 days of the filed date of this Report provide documentation to the Department to show that the Company's procedures have been corrected to comply with Arizona Statutes and Rules when processing total loss settlements for First and Third Parties.

*Subsequent Events: During the course of the Examination, the Company agreed with the incorrect settlement of all first/third party total losses and made restitution payments to all parties affected in the amount of \$1,544.84 plus \$204.49 in interest for a total of \$1,749.33. Copies of letters of explanation and payments were sent to the Department prior to completion of the Examination.*

*Furthermore, the Company completed a self-audit of the remaining 94 first/third party total loss claim files during the examination period. An additional 64 files were identified and the correct tax, license registration and/or air quality fees were calculated. This resulted in restitution payments to the parties affected in the amount of \$2,429.75 plus \$247.28 in interest for a total of \$2,677.03. Copies of letters of explanation and payments were sent to the Department prior to completion of the Examination.*

**Claims Processing Standard #5 - failed**

**Preliminary Finding-006 –Wrong Company name identified on written correspondence: -**

The Company failed to identify the appropriate insuring company as Alpha Property & Casualty Insurance Company on written correspondence sent to insureds/claimants on 4 PPA closed without payment, 2 PPA paid, 7 PPA subrogation and 6 PPA total loss for a total of 19 documents/correspondence, which is an apparent violation of A.R.S. § 20-461(A)(1).

**PRIVATE PASSENGER AUTOMOBILE CLAIMS**

Failed to identify the Correct Insuring Company

A.R.S. § 20-461(A)(1)

<b>PERSONAL AUTO</b>	<b>Population</b>	<b>Sample</b>	<b>Exceptions</b>	<b>Error Ratio</b>
PPA CWP	349	50	4	8%
PPA Paid	542	50	2	4%
PPA Subrogation	119	50	7	14%
PPA Total Loss	130	36	6	17%
<b>Totals</b>	<b>1,140</b>	<b>186</b>	<b>19</b>	<b>10%</b>

**A 10% error ratio does not meet the standards; therefore, a recommendation is warranted.**

**Recommendation # 6**

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 correspondence including but not limited to claim forms and or letters sent by the Company.

*Subsequent Events: During the course of the Examination, the Company agreed with the finding. The Company has imbedded the correct underwriting name on all forms as of March 2013.*



**SUMMARY OF FAILED STANDARDS**

<b>EXCEPTIONS</b>	<b>Rec. No.</b>	<b>Page No.</b>
<b>UNDERWRITING AND RATING</b>		
<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
<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..	2	14
<b>CANCELLATIONS AND NON RENEWALS</b>		
<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.	3	18
<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.	4	22
<u>Standard #5</u> Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	5	23
<u>Standard #5</u> Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	6	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)	8	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)	8	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 and 20-443)	8	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)	8	X	
2	An insurer shall not pay any commission, fee, or other valuable consideration to unlicensed producers. (A.R.S. § 20-298)	8	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	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)	12		X
5	Policies and endorsements are issued or renewed accurately, timely and completely. (A.R.S. §§ 20-1120, 20-1121, 20-1632 and 20-1654)	12	X	
6	Rescissions are not made for non-material misrepresentations. (A.R.S. §§ 20-463 and 20-1109)	12	X	

**Declinations, 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)	17		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, 20-1631, 20-1632, 20-1632.01, 20-1651 through 20-1656)	17	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)	20	X	
2	Timely investigations are conducted. (A.R.S. § 20-461, and A.A.C. R20-6-801)	20	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)	20	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, 20-468, 20-469 and A.A.C. R20-6-801)	21		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)	20	X	
7	Deductible reimbursement to insured 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)	20	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)	20	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)	20	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)	20	X	
11	Adjusters used in the settlement of claims are properly licensed (A.R.S. §§ 20-321 through 20-321.02)	20	X	