REPORT OF TARGET MARKET CONDUCT EXAMINATION

OF

QBE INSURANCE CORPORATION

NAIC #39217

AS OF

JUNE 30, 2009

TABLE OF CONTENTS

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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, an examination has been made of the market conduct affairs of the:

QBE INSURANCE CORPORATION
NAIC # 39217

The above examination was conducted by William Hobert, Examiner-in-Charge, and Market Conduct Examiner Robert De Berge.

The examination covered the period of July 1, 2008 through June 30, 2009.

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

Sincerely yours,

Helene I. Tomme

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

AFFIDAVIT

STATE OF ARIZONA)
) ss.
County of Maricopa)

William P. Hobert 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 Market Conduct Examiner Robert De Berge on the Examination of QBE Insurance Corporation, hereinafter referred to as the "Company" was performed at the examiners' residences. 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.

William P. Hobert

William P. Hobert, CPCU, CLU, CIE
Market Conduct Examiner-in-Charge
Market Oversight Division

Subscribed and sworn to before me this 11 day of June, 2010.

Notary Public

My Commission Expires July 24 2012

Ryan Stewart
NOTARY PUBLIC -- ARIZONA
MARICOPA COUNTY
My Commission Expires
July 24, 2012

FOREWORD

This target market conduct examination report of QBE Insurance Corporation (herein referred to as the "Company"), was prepared by employees of the Arizona Department of Insurance (Department) as well as independent examiners 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 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), Motorcycle (MO) and Commercial Multi-Peril (CMP) 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 target market conduct examination of the Company covered the period of July

1, 2008 through June 30, 2009 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 forms use will not be met if any exception is identified.

On December 14, 2005, the QBE Insurance Corporation entered into a Consent Order, Docket No. 05A-179-INS ("the Consent Order'), wherein the Company agreed to cease and desist certain business practices found to have violated Arizona insurance laws.

HISTORY OF THE COMPANY

QBE Insurance Corporation (the Company) was incorporated 5/5/80 in Delaware as The Victory Reinsurance Company of America, a subsidiary of Victory Holdings U.S.A. On 10/30/92, the control of Victory Holdings was acquired by QBE Australia Pty Limited, a wholly

owned subsidiary of QBE Insurance Group Limited. The Company changed its state of domicile from Delaware to Pennsylvania on 9/5/02. The Company in Arizona focuses on commercial property and casualty business, commercial auto and non-standard auto. Business in Arizona is written through "program managers" and general agents. The Company is licensed in all states.

PROCEDURES REVIEWED WITHOUT EXCEPTION

The examiners review of the following Company departments[1] or functions indicates that they appear to be in compliance with Arizona statutes and rules:

Complaint Handling Producer Compliance Marketing and Sales

EXAMINATION REPORT SUMMARY

The examination revealed nine (9) compliance issues that resulted in eighty-two (82) 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 examiners' findings:

Underwriting and Rating

In the area of Underwriting and Rating, five (5) compliance issues are addressed in this report as follows:

- The Company failed to accurately apply and/or document rating surcharges (i.e. points) used to determine premium for six (6) PPA and three (3) MO policies.
- The Company failed to obtain a signed, dated Uninsured and Underinsured Motorist Selection form from ten (10) PPA and five (5) MO applicants.
- The Company failed to provide eight (8) Arizona based CMP insureds, sixty (60) days before their policies' expiration, a written notice of their premium increase, change in deductible or other substantial change in coverage.
- The Company failed on eleven (11) Arizona based CMP policies to adequately document scheduled rating modifications used to determine policy premium.

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

- The Company failed to obtain a signed, dated written authorization for the release of personal, privileged information from ten (10) PPA and five (5) MO applicants

Cancellations 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 four (4) PPA insureds a reason allowed by the statute for the non-renewal of their policy.

Claims Processing

In the area of Claims Processing, three (3) compliance issues are addressed in this report as follows:

- The Company failed on two (2) claim forms to include a fraud warning statement.
- The Company failed with four (4) claimants to accurately identify the state statutes and Insurance Department in its claim correspondence.
- The Company failed to correctly calculate and fully pay:
  (a) sales tax in the settlement of three (3) first and one (1) third party PPA total loss; and
  (b) fees in the settlement of seven (7) first and three (3) third party PPA total losses.

FACTUAL FINDINGS

RESULTS OF PREVIOUS MARKET EXAMINATIONS

During the past three (3) years, the Company had one (1) market conduct examination conducted by the state of Florida. The Company indicated that California is currently conducting an underwriting and rating examination.

FACTUAL FINDINGS

UNDERWRITING AND RATING

Private Passenger Automobile (PPA):

The examiners reviewed:
(1) fifty (50) PPA new business and/or renewal policies from a population of 1,721; and
(2) fifty (50) PPA surcharged policies from a population of 378.

Motorcycle (MO):

The examiners reviewed:
(1) fifty (50) MO new business and/or renewal policies from a population of 754; and
(2) fifty (50) MO surcharged policies from a population of 335.

Commercial Multi-Peril (CMP):

The examiners reviewed:
(1) ten (10) CMP new business policies; and
(2) sixty (60) CMP renewal policies,
from a new business and/or renewal population of 826.

The following Underwriting and Rating Standards were met:

#	STANDARD	Regulatory Authority
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	Policies and endorsements are issued or renewed accurately, timely and completely.	A.R.S. §§ 20-1120, 20-1121, 20-1654
7	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

Preliminary Findings #14 and #15 – Rating Surcharges - The Company failed to accurately apply and/or document rating surcharges, per filed rating plans, used to determine six (6) PPA and three (3) MO policy premiums. These represent nine (9) violations of A.R.S. § 20-385.

PPA & MO SURCHARGED POLICIES

Failed to apply and/or document rating surcharges used to determine PPA and MO premiums
Violation of A.R.S. § 20-385

Population	Sample	# of Exceptions	% to Sample
713	100	9	9%

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

Recommendation #1

Within 90 days of the filed date of this report, provide the Department with documentation that (a) Company procedures and controls are in place to ensure rating surcharges are adequately documented and accurately applied to determine PPA and MO policy premiums, in accordance with the filed rating plans and applicable state statutes; and
(b) premium overcharges due to use of incorrect surcharges have been repaid to policyholders.

Subsequent Event

During the course of the examination, the Company made surcharge restitution of $350.00 to five (5) policyholders; four (4) policyholders still owed refunds.

The following Underwriting and Rating Standard failed:

#	STANDARD	Regulatory Authority
2	Disclosures to insureds concerning rates and coverage are accurate and timely.	A.R.S. § 20-259.01

Preliminary Findings #10 and #11 – No Signed UM/UIM Selection Form - The Company failed to obtain a signed, dated Uninsured and Underinsured Motorist Selection form from ten (10) PPA and five (5) MO applicants. These represent fifteen (15) violations of A.R.S. § 20-259.01.

PPA & MO NEW BUSINESS POLICIES

Failed to obtain signed, dated UM/UIM Selection form from new business applicants
Violation of A.R.S. § 20-259.01

Population	Sample	# of Exceptions	% to Sample
2,475	100	15	15%

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

Recommendation #2

Within 90 days of the filed date of this report,

(1) provide the Department with documentation that Company procedures and controls are in place to ensure UM/UIM selection forms are signed, dated and retained for PPA and MO new business applicants that either reject UM/UIM coverage or select UM/UIM coverage limits less than their policy's liability limits for bodily injury or death; and

(2) for business generated from any call center operation, provide the Department with training materials, guidelines, scripts, etc. designed to ensure call center staff fully and uniformly explains all such coverage options to every applicant,

in accordance with the applicable state statutes.

Preliminary Finding #17 – Notice of CMP premium or coverage changes - The Company failed to provide eight (8) predominately Arizona based CMP insureds, sixty (60) days before the expiration of their policies, a written notice of their premium increase, change in deductible or other substantial change in coverage. These represent eight (8) violations of A.R.S. § 20-1677.

COMMERCIAL MULTI-PERIL RENEWAL POLICIES

Failed to inform CMP insureds of premium increase, change in deductible or other substantial change sixty (60) days before expiration

Violation of A.R.S. § 20-1677

Population	Sample	# of Exceptions	% to Sample
N/A	60	8	13.3%

A 13.3% 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 and controls are in place to ensure CMP insureds are provided, at least sixty (60) days before the expiration date of their policies, written notice of premium increase, change in deductible, reduction in limits or substantial reduction in coverage, in accordance with the applicable state statutes.

The following Underwriting and Rating Standard failed:

#	STANDARD	Regulatory Authority
4	Scheduled rating, individual risk premium modification (IRPM) or experience rating plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.	A.R.S. § 20-400.01

Preliminary Findings #9 and #18 – Unjustified adjustments - The Company failed to adequately document scheduled rating modifications for eleven (11) predominatel y Arizona based insureds. These represent eleven (11) violations of A.R.S. § 20-400.01.

COMMERCIAL MULTI-PERIL NEW & RENEWAL POLICIES

Failed to adequately document scheduled rating modifications in determining CMP premium

Violation of A.R.S. § 20-400.01

Population	Sample	# of Exceptions	% to Sample
826	70	11	15.7%

A 15.7% 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 Company procedures and controls are in place to ensure Company files contain adequate documentation of the facts supporting any scheduled rating modifications used.

The following Underwriting and Rating Standard failed:

#	STANDARD	Regulatory Authority
5	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. § 20-2113

Preliminary Findings #12 and #13 – Authorization Disclosures - The Company failed to obtain from ten (10) PPA and five (5) MO new business applicants a signed, dated written authorization to release personal/privileged information used in the Company's underwriting process. These represent fifteen (15) violations of A.R.S. § 20-2113.

PPA & MO NEW BUSINESS POLICIES
Failed to obtain signed, dated written authorization forms from new business applicants
Violation of A.R.S. § 20-2113

Population	Sample	# of Exceptions	% to Sample
2,475	100	15	15%

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

Recommendation #5
Within 90 days of the filed date of this report,
(1) provide the Department with documentation that Company procedures and controls are in place to ensure authorization forms for the release of personal, privileged information are signed, dated and retained for every PPA and MO new business applicant, and
(2) for business generated from any call center operation, provide the Department with training materials, guidelines, scripts, etc. designed to ensure call center staff fully and uniformly explains all such disclosures to every applicant,
in accordance with the applicable state statutes.

FACTUAL FINDINGS

CANCELLATIONS AND NON-RENEWALS

Private Passenger Automobile (PPA):

The examiners reviewed:

(1) fifty (50) PPA non-payment cancellations from a population of 1,534;
(2) all eleven (11) PPA non-renewals: and
(3) all twenty one (21) PPA cancellations for underwriting reasons.

Motorcycle (MO):

The examiners reviewed:

(1) fifty (50) MO non-payment cancellations from a population of 1,184;
(2) both MO non-renewals; and
(3) all sixty six (66) MO cancellations for underwriting reasons.

Commercial Multi-Peril (CMP):

The examiners reviewed:

(1) all three (3) CMP non-payment cancellations;
(2) all forty (40) CMP non-renewals; and
(3) all six (6) CMP cancellations for underwriting reasons

The following Cancellation and Non-Renewal Standard passed:

#	STANDARD	Regulatory Authority
1	Declinations, Cancellations and Nonrenewal 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 Cancellation and Non-Renewal Standard failed:

#	STANDARD	Regulatory Authority
2	Cancellation and Nonrenewal 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, 20-1671-20-1678

Preliminary Finding #16 – PPA Non-renewal Reasons - The Company non-renewed four (4) PPA policies for reasons not allowed by the statute. These represent four (4) violations of A.R.S. § 20-1631(D) and the prior Consent Order.

PPA NON-RENEWALS

Non-renewed PPA policies for reasons not permitted by the statute
Violation of A.R.S. § 20-1631(D) and prior Consent Order

Population	Sample	# of Exceptions	% to Sample
11	11	4	36.7%

A 36.7% error ratio does not meet the Standard; therefore, a recommendation is warranted.

Recommendation #6

Within 90 days of the filed date of this report, provide the Department with documentation that Company procedures and controls are in place to ensure the Company non-renews PPA policies only for reasons allowed by the statute.

FACTUAL FINDINGS

CLAIM PROCESSING

Private Passenger Automobile (PPA):

The examiners reviewed:

(1) fifty (50) PPA paid claims from a population of 90;
(2) all fifteen (15) PPA total losses;
(3) all thirty three (33) PPA claims closed without payment; and
(4) all four (4) PPA subrogations.

Motorcycle (MO):

The examiners reviewed:

(1) all twenty three (23) MO paid claims;
(2) all six (6) MO total losses;
(2) all four (4) MO claims closed without payment; and
(3) both MO subrogations.

Commercial Multi-Peril (CMP):

The examiners reviewed:

(1) fifty one (51) CMP paid claims from a population of 113;
(2) fifty (50) CMP claims closed without payment from a population of 125; and
(3) all three (3) CMP subrogations.

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 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

Preliminary Finding #1 – Fraud Warning Statement – The Company failed to include the required fraud warning statement on two (2) claim forms. These represent two (2) violations of A.R.S. § 20-466.03 and the prior Consent Order.

The following table summarizes the fraud warning statement findings:

	Specimen Form Description	Form #	Ed Date	Claim #
1	Authorization to Pay-Off	N/A	None	Att. A Forms
2	Declaration of No Assets	5689611	None	Att. A Forms

CLAIM FORMS

Failed to include the fraud warning statement

Violation of A.R.S. § 20-466.03 and prior Consent Order

Population	Sample	# of Exceptions	% to Sample
N/A	N/A	2	N/A

Any error does not meet the Standard; therefore a recommendation is warranted.

Recommendation #7

Within 90 days of the filed date of this report, provide documentation to the Department that the required fraud warning statement, in 12-point type, is included on each of the claim forms cited, in accordance with the applicable state statute.

Subsequent Event

During the course of the examination, the Company's third party administrator provided examiners revised copies of both forms containing a proper fraud warning statement.

Preliminary Finding #2 – Wrong State Identified on Claim Correspondence - The Company failed to accurately identify the state statutes and Insurance Department in claim correspondence with four (4) claimants. These represent four (4) violations of A.R.S. § 20-461(A)(1).

The following table summarizes these claim correspondence findings.

	ADOI I.D.	DOL	Correspondence		Incorrect Reference Made
			Date	Type	
1	MSUB-01	3/1/09	1/21/10	To Insured	CA DOI Code of Regulations Title 10, Ch. 5 Section 2695.8, & CA Statute of Limitations (3 years)
2	ACWP-02	8/14/08	8/20/08	To Claimant	CA DOI for denial questions
3	APD-50	5/3/08	11/24/08	To Clmt Atty	CA Settlement and Release form used
4	APD-50	5/3/08	12/3/08	To Claimant	CA Law A-3219

CLAIM CORRESPONDENCE

Failed to accurately identify Arizona statutes and Insurance Department in claim correspondence
Violation of A.R.S. § 20-461(A)(1)

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

Any error does not meet the Standard; therefore a recommendation is warranted.

Recommendation #8

Within 90 days of the filed date of this report, provide documentation to the Department that procedures and controls are in place to ensure all correspondence between the Company and parties to a claim are not misleading and accurately identify the state statutes and the Insurance Department, in accordance with the applicable state statute.

Subsequent Event

During the course of the examination, the Company's third party administrator provided examiners revised copies of each form containing the correct address and contact information for the Arizona Department of Insurance.

The following Claim Processing Standard failed:

#	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, A.A.C. R20-6-801

Preliminary Findings #3 and #4 – Total Loss Sales Tax and Fees – The Company failed to accurately calculate and fully pay the correct:

(a) sales tax with three (3) first and one (1) third party total loss settlements; and

(b) fees with seven (7) first and three (3) third party total loss settlements.

These represent fourteen (14) violations of A.R.S. §§ 20-461(A)(6), 20-462(A), A.A.C. R20-6-801(H)(1)(b) and the prior Consent Order.

PPA TOTAL LOSSES

Failed to correctly calculate and pay sales taxes and fees associated with total loss settlements
Violation of A.R.S. §§ 20-461(A)(6), 20-462(A),
A.A.C. R20-6-801(H)(1)(b) and prior Consent Order

Population	Sample	# of Exceptions	% to Sample
21	21	14	66.7%

A 66.7% error ratio does not meet the Standard; therefore a recommendation is warranted

Recommendation #9

Within 90 days of the filed date of this report, provide documentation to the Department that procedures and controls are in place to ensure the Company correctly calculates and fully pays any sales tax and title, registration or other fees owed any claimant in the settlement of a total loss, in accordance with applicable state statutes and regulations.

Subsequent Event

During the course of the examination, the Company made sales tax restitution of $83.26, which included $11.70 interest. The Company made fee restitution of $31.95, which included $4.45 interest.

SUMMARY OF FAILED STANDARDS

EXCEPTION	Rec. No.	Page No.
UNDERWRITING AND RATING		
Standard #1 The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the Company Rating Plan.	1	12
Standard #2 Disclosures to insureds concerning rates and coverage are accurate and timely.	2 & 3	12 & 13
Standard #4 Scheduled rating, individual risk premium modification (IRPM) or experience rating plans, where permitted, are based on objective criteria with usage supported by appropriate documentation.	4	14
Standard #5 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.	5	14
CANCELLATIONS AND NON-RENEWALS		
Standard #2 Cancellation and Nonrenewal 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.	6	17
CLAIM PROCESSING		
Standard #3 The Company claim forms are appropriate for the type of product and comply with statutes, rules and regulations.	7 & 8	20 & 21
Standard #5 Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations.	9	22

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 and 20-443)	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. § 20-298)	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. §§ 20-341 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, 20-1677, 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	
4	Schedule rating, individual risk premium modification (IRPM) or experience rating plans, where permitted, are based on objective criteria with usage supported by appropriate documentation. (A.R.S. § 20-400.01)		X
5	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
6	Policies and endorsements are issued or renewed accurately, timely and completely. (A.R.S. §§ 20-1120, 20-1121, 20-1654)	X	
7	Rescissions are not made for non-material misrepresentations. (A.R.S. §§ 20-463, 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, 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, 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 and 20-1671 through 20-1678)		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	

#	STANDARD	PASS	FAIL
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	
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, 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	