

RULES – IMPLEMENTATION

APRIL 13, 2021

COMMERCIAL AUTOMOBILE

LI-CA-2021-098

## ARIZONA REVISED SCHEDULE RATING RULE TO BE IMPLEMENTED

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### KEY MESSAGE

We are implementing Filing RP-2021-RPD1 which revises the Arizona Exception to Rule 8. Schedule Rating.

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### UPGRADE TO WORD AND EXCEL DOCUMENTS

ISO is currently implementing changes to our authoring and delivery systems so that **newly created** documents will be delivered in Office 365 .docx/.xlsx format. These changes will be phased in by product/service tentatively beginning in second quarter 2021. We are providing advance notification so that you may prepare your internal systems. Products impacted include, but are not limited to, documents delivered/accessed via Circulars, CLM, EFD, ERC, Filings, FIRST, Forms Library (including PolicyWriting Support Forms Instructional Supplement), PRM, Statistical Plans and Suite +.

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### BACKGROUND

Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06 provides, in part, that the position of the Arizona Department of Insurance and Financial Institutions is that ARIZ. REV. STAT. ANN. § 20-263 (A) "prohibits premium increases for 'an accident not caused or significantly contributed to by the actions of' both currently insured drivers and those seeking new coverage."

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### ISO ACTION

In response to Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06 we have revised the Arizona Exception to **Rule 8**. Schedule Rating to include the following statement:

"Please be reminded that ARIZ. REV. STAT. ANN. § 20-263 (A) states, 'No insurer shall increase the motor vehicle insurance premium of an insured as a result of an accident not caused or significantly contributed to by the actions of the insured'. Refer to Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06, issued December 4, 2020, for guidance."

Refer to the attached explanatory material for complete details about the filing.

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### INSURANCE DEPARTMENT ACTION

The Arizona Department Of Insurance and Financial Institutions has acknowledged Filing RP-2021-RPD1 as submitted.

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### PROPOSED EFFECTIVE DATE

The ISO revision is subject to the following rule of application:

These changes are applicable to all ratings made on or after September 1, 2021.

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## COMPANY ACTION

If you have authorized us to file on your behalf and decide:

- To use our revision and effective date, you are not required to file anything with the Insurance Department.
- To use our revision with a different effective date, to use our revision with modification, or to not use our revision, you must make an appropriate submission with the Insurance Department.

For guidance on submission requirements, consult the ISO State Filing Handbook.

In all correspondence with the Insurance Department on this revision, you should refer to ISO Filing Number RP-2021-RPD1 and SERFF Tracking Number ISOF-132787603, NOT this circular number. Communications with the regulator concerning a filing affecting multiple lines of business (i.e., CL, PL, AL filing designation) should specify the line(s) of business that you are addressing.

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## RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

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## POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2021-004](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

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## REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 9-21 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

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## REFERENCE(S)

[LI-CL-2021-004](#) (02/17/2021) Revised Lead Time Requirements Listing

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## [ATTACHMENT\(S\)](#)

Filing RP-2021-RPD1

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# Revised Arizona Rule 8. Schedule Rating

## About This Filing

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This filing is being made in response to Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06.

## Revised Rules

We are revising **Rule 8. Schedule Rating**. We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

## Background

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Currently, the Arizona exception to **Rule 8. Schedule Rating** of Division One – Automobile – Rating Plans of the Commercial Automobile Physical Damage Experience And Schedule Rating Plan, provides credit and debit modulations for the risk characteristic of Safety Organization which is described in part as accident reports and records. ARIZ. REV. STAT. ANN. § 20-263 (A) provides, in part, the following:

"No insurer shall increase the motor vehicle insurance premium of an insured as a result of an accident not caused or significantly contributed to by the actions of the insured..."

Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06 provides, in part, that the position of the Arizona Department of Insurance and Financial Institutions is that ARIZ. REV. STAT. ANN. § 20-263 (A) "prohibits premium increases for 'an accident not caused or significantly contributed to by the actions of' both currently insured drivers and those seeking new coverage."

## Explanation of Changes

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In response to Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06 we are revising the Arizona Exception to **Rule 8. Schedule Rating** to include the following statement:

"Please be reminded that ARIZ. REV. STAT. ANN. § 20-263 (A) states, 'No insurer shall increase the motor vehicle insurance

premium of an insured as a result of an accident not caused or significantly contributed to by the actions of the insured'. Refer to Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06, issued December 4<sup>th</sup>, 2020, for guidance."

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## Important Note

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## 8. SCHEDULE RATING

Rule 8. is replaced by the following:

A schedule rating modification may also be applied to the otherwise chargeable premium in accordance with the following table, subject to a maximum credit or debit of 25%, to reflect such characteristics of the risk as are not reflected in its experience.

Risk Characteristic	Description	Range Of Modifications	
		Credit	Debit
<b>Management</b>	Cooperation with the insurance company, revision of schedules, routes and practices to conform with company recommendations.	5%	5%
<b>Employees</b>	Selection, training, supervision, experience, basis of remuneration.	5%	5%
<b>Equipment</b>	Type, condition, servicing, risk's own repair facilities, safety equipment and drivers' reports on condition.	10%	10%
<b>Safety Organization</b>	Periodic meetings, distribution of safety literature, award and penalty system, review of accidents with drivers, safety director, accident reports and records.		
	<u>Please be reminded that ARIZ. REV. STAT. ANN. § 20-263 (A) states, "No insurer shall increase the motor vehicle insurance premium of an insured as a result of an accident not caused or significantly contributed to by the actions of the insured". Refer to Arizona Department of Insurance and Financial Institutions Regulatory Bulletin 2020-06, issued December 4, 2020, for guidance.</u>	5%	5%
<b>Dispersion or Concentration of Values Insured</b>		10%	10%

Table 8. Schedule Rating Modifications