



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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Regulatory Bulletin 2002-03A

TO: Commercial Lines Property & Casualty Insurers, Producers, Insurance Support Organizations, Insurance Trade Associations and Other Interested Parties

FROM: Charles R. Cohen
Director of Insurance

DATE: April 11, 2002

RE: Property & Casualty Commercial Insurance Notices – Supplement to Regulatory Bulletin 2002-03

Regulatory Bulletin 2002-03 dated March 15, 2002 addresses the issue of what constitutes adequate prior notice of changes in premium or coverage of property and casualty commercial lines insurance under A.R.S. §20-1677(A). Subsequent to the issuance of Bulletin 2002-03, the Department received inquiries and comments indicating the need for additional clarification.

The impetus behind Regulatory Bulletin 2002-03 was to emphasize the importance of giving commercial policyholders the best information available concerning changes in premium or coverage at least sixty days before the expiration date of the policy, as required by A.R.S. §20-1677(A). The sample notice included in the bulletin represents an ideal notice because it notifies the policyholder of precisely what changes will occur on a date certain. The Bulletin acknowledges, and it is repeated here, that "it will not be necessary or feasible in every case" to provide the policyholder with a notice that includes the degree of specificity found in the sample. While the Department stated that it would find the sample notice to be compliant within the meaning and intent of A.R.S. §20-1677(A), that should not be construed to mean that the Department would in every case find a notice with less specificity to be insufficient or in violation of the statute.

The Department is cognizant of the fact that in order to provide a detailed, accurate notice insurers must rely, in part, on information that must be obtained from the policyholder or other extrinsic sources. It is also a business reality that

policyholders and third parties do not always fully and promptly respond to the insurers' requests for information. The statute requires that an insurer or its agents make their best efforts to obtain the information needed to fully comply, and then provide the most detailed and accurate description of upcoming changes in premium or coverage possible based on the information at hand. It is certainly acceptable, and even a good practice, for an insurer to include in the notice a statement to the effect that the description of the changes is based on the most current policyholder and other data possessed by the insurer as of the date of the notice and could vary with changes in the underlying data. Please note that although an insurer may delegate to its producers or other third parties tasks related to gathering information or providing notice, the legal obligation to take actions necessary to comply with the statutory prior notice requirement may not be shifted.

Should you have any questions regarding this Bulletin or Bulletin 2002-03, please feel free to contact Deloris Williamson, Assistant Director, at (602) 912-8421.