



**STATE OF ARIZONA**  
**DEPARTMENT OF INSURANCE**

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**REGULATORY BULLETIN 2003-04<sup>1</sup>**

**TO:** Insurance Rating Organizations; Insurance Industry Representatives; Insurance Trade Associations; Property & Casualty Insurers; and, Other Interested Parties

**From:** Charles R. Cohen  
Director of Insurance

**Date:** April 9, 2003

**RE:** **Property and Casualty Insurance; Insurance Protection For Policyholders Who Have Been Deployed For Military Duty; Coverage Continuation and/or Coverage Suspension**

On March 19, 2003, Governor Napolitano issued Executive Order 2003-10, "Ensuring Benefits and Protections for Arizona Servicemen and Women". In furtherance of the spirit and expressed intent of that Executive Order, this Bulletin is to address concerns regarding the continuation of insurance coverage for United States military personnel, including the Reserves and National Guard, during periods when they have been deployed for military active duty anywhere in the world. The Arizona Department of Insurance (ADOI) urges insurers and insurance producers to work closely with deployed policyholders to effect solutions that will avoid additional burdens and hardships being placed on those who have put aside their personal and professional interests in order to serve their country.

Accordingly, the ADOI requests that insurers transacting property and casualty insurance in Arizona do the following:

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<sup>1</sup> This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties, you may petition the agency under Arizona Revised Statutes Section 41-1033 for a review of the Statement.

1. Notify policyholders, as soon as practicable, that if they have been deployed that they may designate to the insurer an adult third party to serve as an attorney-in-fact to receive bills, notices, and other correspondence related to the policyholder's insurance coverage. Insurers may require that the policyholder provide them with the third party's name, address, and telephone number, together with a statement signed and dated by the third party indicating the third party's agreement to become the policyholder's designee for purpose of receiving all correspondence from the insurer.
2. Provide policyholders with an option to suspend or remove insurance coverage, without penalty, while deployed for military duty. A number of insurers in Arizona already have made filings for coverage suspensions. For those insurers that may not have made such filings, the following examples, a composite of existing filings, provide rating rule language that would be acceptable to the ADOI. While the ADOI has elected to provide language for private passenger automobile insurance and medical malpractice insurance, the rating rule language proposed in the examples could be used for almost any line of insurance. Please note that in Arizona, with the exception of workers' compensation, all major lines of property and casualty insurance fall under the state's "use and file" rating law. Insurers are required to file rates and rating rules with the ADOI within 30 days after they become effective, unless exempted from filing requirements by order of the Director. A.R.S. § 20-385(A) and (F).

If a policy form is required to be filed, and has not been exempted from filing by order of the Director, the form must be filed prior to use. A.R.S. § 20-398(A). As a practical matter, most insurers with filings of this nature, do not use a specific endorsement form, but merely indicate on the policy's declaration sheet that certain coverage has been suspended. However, before filing the form if the insurer intends to use a specific endorsement, the insurer should check the ADOI's web site at [www.id.state.az.us](http://www.id.state.az.us) to determine whether forms and/or the rates for the particular line of insurance in which the suspension will apply have been exempted from filing requirements. See Director's Order, Docket No. 01A-215-INS filed October 26, 2001.

Examples of possible rating rule language follow:

- a) **Private Passenger Automobile Insurance:** Please note that many deployed personnel will have authorized certain family members to drive their vehicles during their absence while deployed. When providing the option to suspend coverage, insurers should clearly notify policyholders that liability coverage may not be suspended or removed in those cases where the vehicle will be driven on the road as state law requires every vehicle driven on Arizona highways to carry minimum limits of \$15,000/\$30,000/\$10,000. For deployed military personnel whose vehicles will not be driven, at any time, during their absences, the suspension or removal of coverage may be similar to the following:

If, as a result of a declared United States military deployment, the insured private passenger vehicle is stored in a secured garage, insurance coverage, other than comprehensive, may be suspended or removed upon request of the insured subject to the following conditions: (the conditions depend upon the insurer and would follow this statement).

A common condition appears to be that the suspension or coverage removal must be in effect for at least 30 days before a credit or premium refund will be given. However, the specific conditions relative to the suspension or removal of coverage are the prerogative of the insurers. Please note that Arizona law restricts the cancellation or nonrenewal of private passenger automobile coverage to certain, specified statutory reasons. See A.R.S. § 20-1631.

b) **Medical Malpractice Insurance:** An example of a proposed suspension of coverage rate-related rule for medical malpractice insurance follows.

Suspension of Coverage endorsements may be issued, under the following circumstances (the circumstances are thereafter listed) to military personnel on active duty who have discontinued their medical practice while on active duty for 30 or more days. The Suspension of Coverage Endorsement provides no coverage for events occurring during the effective time of the Suspension of Coverage Endorsement. A policy under Suspension of Coverage does, however, permit proper reporting of otherwise covered occurrences which happened after the Retroactive Date of the Policy and before the effective date of Suspension.

3. Give a credit or premium refund for the suspension or removal of coverage and reinstate full coverage without penalty when the policyholder returns from active duty. It seems only reasonable that the policyholder would receive a credit or premium refund during the period when coverage has been suspended or removed. Further, it would be reasonable for the policyholder to expect upon his return that he could reactivate his coverage without his having to be subjugated to reunderwriting and/or a reduction of coverage. Therefore, the ADOI urges insurers to consider providing a credit for suspended or removed coverage and reinstating full coverage without penalty upon the policyholder's return.
4. Refrain from non-renewing policies of insureds in active duty status who keep premium payments current. While no Arizona law requires an insurer to refrain from nonrenewing policies of any policyholder who keeps their premium payments current, but who could be nonrenewed for reasons permitted by Arizona law and the policy conditions, nothing prohibits insurers from voluntarily continuing the policies. Given the current property and casualty insurance market conditions, it may be difficult for military personnel returning from a deployment to obtain replacement coverage should their policies be nonrenewed during their absence.

In the spirit of support for our deployed military personnel, the ADOI strongly encourages insurers to implement the above suggestions if possible, and, in any event, to do whatever is within their power to ensure that deployed policyholders are not penalized in any manner.

Finally, the Department wishes to express its sincere appreciation and thanks to those insurers that provided their suggestions and recommendations relative to the contents of this Bulletin.

Should you have any questions regarding this Bulletin, please feel free to contact Deloris Williamson, Assistant Director, at (602) 912-8461 or at [dwilliamson@id.state.az.us](mailto:dwilliamson@id.state.az.us).