TO: All Licensed Insurance Producers and Insurers

FROM: Charles R. Cohen
Director of Insurance

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The Department continues to learn of instances where insurers or insurance producers have referred to the Arizona Insurance Guaranty Funds (“the Guaranty Funds”) and the coverage provided by the Guaranty Funds in connection with the sale or attempted sale of an insurance product, particularly with regard to life insurance policies, annuity contracts and long term care policies. The purpose of this Regulatory Bulletin is to remind insurers and insurance producers that this practice has long been prohibited as an unfair trade practice pursuant to A.R.S. §20-443(A)(6). The statute provides that a person shall not make, issue or circulate, or cause to be made, issued or circulated, any estimate, illustration, circular, sales material or statement referring to the coverage provided by the Guaranty Funds or referring to any other provisions of the articles which address the creation of the Guaranty Funds and administration of insolvency proceedings (Title 20, Chapter 3, Articles 6 and 7). The only permissible reference to the Guaranty Funds is the inclusion of a notice that the insured is not eligible for Guaranty Fund protection in 1) a policy delivered to an industrial insured pursuant to A.R.S. §20-400.10(E); 2) in any policy or evidence of surplus lines coverage from an unauthorized insurer pursuant to A.R.S. §20-410(B); and 3) in any policy or evidence of coverage issued by an alien insurer for coverage in Mexico pursuant to A.R.S. §20-422(C).

* 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.
The broad prohibition of any reference to the Guaranty Funds is designed to discourage consumers from relying upon or considering as a factor the prospect of eligibility for the Guaranty Funds' protection when making a decision to purchase an insurance policy or annuity. That decision should be based upon the merits of the subject insurer and insurance product. Further, there are numerous variables in any insurer insolvency that may result in the insured being ineligible for Guaranty Fund protection and those variables cannot all be known at the time the policy or contract is sold. Any mention of the Guaranty Funds, in connection with the sale or attempted sale of insurance, is prohibited, with the limited exceptions described above.

If you have any questions regarding this Bulletin, please contact Paul Hogan, Chief Market Conduct Examiner at 602-912-8442 or phogan@id.state.az.us. Consumers who inquire about the Guaranty Funds and the protection provided to Arizona residents should be referred to the Guaranty Funds at 602-364-3863.