



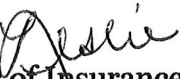
**Office of the Director**  
**Arizona Department of Insurance**  
2910 North 44<sup>th</sup> Street, Suite 210, Phoenix, Arizona 85018-7269  
Phone: (602) 364-3100  
Web: <https://insurance.az.gov>

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**Douglas A. Ducey, Governor**  
**Leslie R. Hess, Interim Director**

**Regulation Bulletin 2017-01<sup>1</sup>**

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

**FROM:** Leslie R. Hess   
Interim Director of Insurance

**DATE:** May 17, 2017

**RE:** **Property & Casualty Commercial Insurance Notices**

With certain exceptions,<sup>2</sup> changes in premium or coverage, nonrenewal and cancellation of property and casualty commercial lines insurance in Arizona are subject to Arizona Revised Statutes, Title 20, Chapter 6, Article 14. Among other things, Article 14 prescribes prior notice requirements.

In 2002, the Department issued Regulatory Bulletin 2002-03 (March 15, 2002) and Regulatory Bulletin 2002-03A (April 11, 2002). Subsequent to the issuance of these bulletins, the Legislature amended A.R.S. § 20-1677 in 2011 (Laws 2011, 1<sup>st</sup> Reg. Sess., Ch. 327, §3). This Bulletin supersedes the aforementioned bulletins which are hereby withdrawn.

Effective as of July 20, 2011, A.R.S. § 20-1677(A) was amended to require the insurer to provide the prior written notice of premium increase, change in deductible or reduction in limits or substantial reduction in coverage at least 30 days before the expiration date of the policy. This is a change from the prior version of the statute that provided for 60 days prior notice. Further, A.R.S. § 20-1677(C) states that notice shall be considered given if an insurer delivers new policy terms and conditions thirty days before the expiration date of the policy.

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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.

<sup>2</sup> See A.R.S. § 20-1671.

It is the Department's view that notice under A.R.S. § 20-1677, including new policy terms and conditions, must include information sufficiently specific to allow policyholders to make an informed decision regarding their insurance before the changes take effect. Merely informing a policyholder about the *possibility* of future changes in premium, deductible or coverage, or a vague notice stating that coverages or rates "may" increase is not adequate notice. It is also insufficient notice to merely advise policyholders that Arizona law requires advance notice of a premium increase, change in deductible or reduction in limits or substantial reduction in coverage.

The Department takes this opportunity to also remind insurers of the requirements for prior notice of nonrenewal and cancellation, as prescribed in A.R.S. §§ 20-1676 and 20-1674 respectively.

Please note that although an insurer may delegate to its producers or other third parties tasks related to providing notice, the legal obligation to take the necessary actions to comply with statutory prior notice requirements remains with the insurer.

If you have any questions regarding this bulletin, please contact Erin H. Klug, Assistant Director at [eklug@azinsurance.gov](mailto:eklug@azinsurance.gov) or 602-364-3100.