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2023 BULLETIN

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TO: IIAB of Arizona Members
FROM: Terri S. Edwards, CIC, CISR, Executive Vice President
RE: Arizona's New Law on Dog Breeds and Homeowners' and Renters' Policies

One of the "hot topics" in the 2022 legislative session surrounded the restriction on insurance companies to excluded specific breeds of dogs from a homeowner's or renter's insurance policy. **House Bill 2323: Homeowner's Insurance; Dogs; Nondiscrimination** goes into effect for new policies and renewals from and after June 30, 2023.

Can dog liability be excluded? YES. Just not based solely on the breed of the dog.

Can you ask a client if they own, or keep a dog on the residential premises? YES. Underwriters can't base any decisions of coverage or premium based on the breed of the dog.

Can insurance companies surcharge for dogs? YES. Just not based solely on the breed of the dog.

Get the common thread here?

E&O Concerns — If some of your companies are allowing dog liability to stay on the policy and some companies are excluding all dog liability – you need to know your markets. This is critical to avoid an E&O claim.

We are hearing from various companies that if the dog does not have a history of aggression/dog bites, then the dog liability coverage will continue. You need to know your markets. You need to pay attention to policies that may have been endorsed to exclude dog liability. **READ THE POLICY.** Know what you are selling.

Umbrella Concerns — It is possible that a primary homeowners' policy will allow the dog liability, but the umbrella (maybe even with the same company) will exclude dog liability based on the breed. Again, watch out for exclusion endorsements.

The IIABAZ has been hard at work with the Arizona Department of Insurance and Financial Institutions on getting clarification on this new law. Included with this bulletin is the recently released FAQs from DIFI. We strongly urge all personal lines staff to review the FAQs to become more familiar with the new law.

We encourage you to also communicate with your insurance markets to know how each company will be handling this exposure.

Thank you for allowing your Association to be of service to you.

Arizona Department of Insurance and Financial Institutions Arizona's Dog Discrimination Statutes FAQs



New Arizona law related to dog breeds and Homeowners insurance

A new law, A.R.S. § 20-1510 will take effect in Arizona on June 30, 2023, with potential implications for dog owners and insurers:

A.R.S. § 20-1510. Homeowner's or renter's insurance; dog breeds; prohibitions; definitions

- A. The breed of a dog may not be the sole factor considered or used for any of the following purposes:
1. Underwriting or actuarial processes for determining risk, liability or actual or potential losses related to claims involving dogs under a policy of insurance.
 2. Questionnaires, surveys or other means of gathering information regarding ownership or possession of a dog or the presence of a dog on premises insured or to be insured under a policy of insurance.
- B. For the purposes of this section:
1. "Breed" means the actual or perceived breed or mixture of breeds of a dog.
 2. "Policy of insurance" means a homeowner's or renter's policy of insurance.

House Bill 2323: Homeowner's Insurance; Dogs; Nondiscrimination

Passed in 2022 Legislative Session - <https://www.azleg.gov/legtext/55leg/2R/laws/0243.pdf>





Arizona Dog Breeds and Homeowners Insurance Frequently Asked Questions

When does the A.R.S. § 20-1510, the new law regarding dog breeds and homeowners insurance take effect?

A.R.S. § 20-1510 takes effect on June 30, 2023.

Does A.R.S § 20-1510 apply to both new and renewing policies?

The law applies to new and renewing transactions. The session law in the bill makes clear that the new law applies to both new and renewing policies of insurance:

Sec. 3. Applicability. This act applies to new policies of insurance and renewed policies of insurance issued from and after June 30, 2023.

Furthermore, A.R.S. § 20-1510(A) refers to actions associated with a “policy of insurance” which includes new and renewal actions. Therefore, an insurer may not decline to write, non-renew, cancel, or price new or renewing policies based solely on the possession of a certain breed of dog on or after that date.

Do the definitions from the A.R.S, § 20-1510 need to appear in policy forms?

A3: If rules or policy documents, including applications, reference “breed” they must be consistent with the definition of breed in A.R.S. § 20-1510.

While not directly applicable to insurer transactions, the newly added definitions in A.R.S. § 11-1025 may be helpful. Although, because these definitions do not appear in Title 20, policy forms may have definitions for “Aggressive”, “Vicious”, or “Provocation” that differ from those in A.R.S. § 11-1025.

To what types of policies does the new law (A.R.S. § 11-1025) apply?

The law defines “Policy of Insurance” as “a homeowner’s or renter’s policy of insurance.” Thus, it will apply to all types of HO policies: HO1, HO2, HO3, HO4 (renters), HO5, HO6 (condo), HO7 (manufactured home), and HO8. A policy of insurance does not include commercial, excess, or umbrella policies.

Can a policy exclude coverage for liabilities, in whole or in part, from the possession or ownership of a particular breed of dog?

A.R.S. § 20-1510 states that “the breed of a dog may not be the sole factor considered or used for...[u]nderwriting or actuarial processes for determining risk, liability or actual or potential losses related to claims involving dogs under a policy of insurance.” Insurers may not use the breed of a dog to make an underwriting decision about what coverage will or will not be included in the policy. In addition, an insurer’s base rates and/or rating factors may not be developed based on whether the policy includes or excludes coverage for particular breeds of dogs. However, an insurer may exclude coverage for liabilities arising from possession of any dog, or for reasons not associated with the breed of the dog, such as a history of viciousness or aggression.

Do the restrictions related to underwriting/rating and “gathering information” in A.R.S. §§ 20-1510(A)(1) and 20-1510(A)(2) apply to the full policy of insurance or only to particular components of HO/Renter policies (liability, pet insurance rider)?

The “policy of insurance” is the entire policy. Any riders or endorsements to the policy would not be considered separately from the liability coverage under the base policy.

Do insurer underwriting rules need to demonstrate that the breed of dog is not the sole factor for adverse underwriting and rating decisions in new and renewal underwriting and rating practices?

Yes, insurers will need to make clear statements in their rules, including underwriting manuals, that demonstrate the company will not decline, non-renew, cancel, surcharge, or increase premiums based solely on the breed of dog.

Can insurers put underwriting conditions on the issuance of a policy for specific dog breeds?

An insurer may impose underwriting criteria related to the possession of any dog, but not based on a specific breed of a dog. An insurer may impose underwriting criteria unrelated to the breed of the dog. For example, it will insure homes with a dog greater than 40 pounds only if they have a 6-foot fence.

Can an insurer use the breed of a dog in underwriting and rating decisions if used in conjunction with other factors unrelated to the dog?

Only if the dog breed is not the sole factor determining a rating or underwriting decision, and as long as the elimination of the non-related factors does not result in the dog breed being the sole remaining underwriting factor.

Can a HO policy exclude "Animal Liability" in its entirety for all animals?

Yes, a HO policy exclude "Animal Liability" in its entirety for all animals.

Can an insurer ask for the breed of a dog on its application forms?

Insurers may ask about dog breeds on applications, but A.R.S. § 20-1510 precludes the breed of dog from being the "sole factor considered or used for...[q]uestionnaires, surveys or other means of gathering information regarding ownership or possession of a dog or the presence of a dog on the premises insured or to be insured under a policy of insurance." Underwriting guidelines must clearly demonstrate that the insurer will not decline, cancel, non-renew, or raise rates based solely on a particular breed of dog.

Would wolf/wild animal-dog hybrids fall under the definition of "breed" in the bill?

Yes, the definition of "breed" in A.R.S. § 20-1510 is "the actual or perceived breed or mixture of breeds of a dog."

Can a policy exclude a specific dog with a history of biting or aggression, similar to an excluded driver on an auto policy?

Yes, a policy can exclude a specific dog with a history of biting or aggression, similar to an excluded driver on an auto policy.

What must insurers file to demonstrate compliance with the new statute?

If a company currently has rating and underwriting factors that result in surcharges, non-renewals, declinations, etc. solely because of dog breeds, the Department would expect to receive a filing revising rates and supplementary rate information (e.g., underwriting guidelines/manuals). Similarly, if your policy or application forms reference dog breed in a manner that is not consistent with the new law, the Department would expect a form filing.

May an insurer increase the premium on a policy for possession of any or all dogs?

Yes, as long as the rating applies to the mere possession of any/all dogs in the household and does not discriminate by breed whatsoever.

May insurers ask other dog-related questions on the application, but unrelated to the breed of dog, such as bite history, age of dog, number of dogs?

Yes, insurers may ask other dog-related questions on the application, but unrelated to the breed of dog, such as bite history, age of dog, number of dogs.

May an insurer cancel or non-renew a policy after a dog liability claim?

Yes, as long as the insurer can demonstrate the adverse action was not based solely on the breed of the dog and the insurer is in compliance with the applicable cancellation and nonrenewal provisions in A.R.S. §§ 20-1652 through 20-1656.

May an insurer decline an applicant for owning a dog?

Yes, as long as the insurer is not declining only for specific breeds of dog, but for the possession of any dog.

May an insurer reduce the amount of liability coverage with the existence of any dog?

Yes, as long as the insurer is not reducing coverage only for specific breeds of dog, but for the possession of any dog.

May an insurer decline to issue or limit the amount of umbrella coverage due to the existence of a particular breed of dog?

Yes, umbrella coverage does not meet the definition of "policy of insurance" in A.R.S. § 20-1510.