

Independent Insurance Agents and Brokers of Arizona, Inc.

333 East Flower Street - Phoenix, Arizona 85012
Phone: (602) 956-1851 / (800) 627-3356 Fax: (602) 468-1392
Web: www.iiabaz.com Email: info@iiabaz.com



2012 BULLETINS

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Bulletin # 1

DATE: January 2012

TO: IIAB of Arizona Members & Associate Members

FROM: Lanny L. Hair, CIC, RPLU, ARM, AAI—Executive Vice President
Russell Reiten—Government Affairs

RE: **Commercial Cancellation / Change Notices**

Please remember there were modifications to the Commercial Lines "Renewal" Statutes (Arizona Revised Statute 20-1674, 20-1676 and 20-1677) in the 2011 Legislative Session. We have recently received some questions on this issue and felt it would be a good time to revisit the topic.

These statutes require advance notice for [A] cancellation or non-renewal of a policy as well as [B] an increase in premiums or a reduction in coverage.

1. The time frame in the event of a cancellation or non-renewal changed from 60 days advanced written notice to 45 days advanced written notice.
2. The time frame in the event the renewal policy will experience [1] premium increase, [2] change in deductible, [3] reduction in limits or [4] substantial reduction in coverage changed from 45 days to 30 days advance notice.

The 45 day cancellation/non-renewal notice requirement was a compromise reached after the legislation was introduced. Many of the insurance companies wanted to reduce the time period to 30 days while many within the Legislature wanted to maintain the existing 60 day requirement. Our Association surveyed our membership and found that half of our group was strongly opposed to any change, while the other half appeared to strongly support the 45 day option.

This new law became effective on July 20, 2011; however, it does not automatically change current policies which are in force. In addition to the statute, insurance companies must also comply with the provisions contained within their policy. If the "Arizona Amendatory Endorsement" contained on an insurance policy currently states that a 60 days' notice must be given then that "requirement" will remain at 60 days until the policy is renewed and the renewal policy contains a new endorsement which reflects the 30 day notice of change and 45 day notice of cancellation/non-renewal language.

In other words...while going through the transition, some of your policyholders will have policies that contain the old Arizona Amendatory Endorsement or policy language that requires the 60 day notice, while others will have policies that contain the new endorsement which reflects the 45 day cancellation/non-renewal notice and 30 day change in renewal terms.

It is important to note that the new 45 and 30 day notice requirements are the MINIMUM number of days required by statute. Some insurance companies may wish to continue to issue policies with the old endorsement which will provide the policyholder additional days.

The only way to accurately determine the number of days' notice required is to look at the language in the policy.