



**ARIZONA STATE SENATE**  
*Fifty-Sixth Legislature, First Regular Session*

FACT SHEET FOR H.B. 2007

group excess liability insurance  
(NOW: insurance; group excess liability)

Purpose

Allows an authorized or unauthorized insurer to offer group excess liability insurance and allows a group excess liability policy to also provide coverage for excess uninsured motorist, excess underinsured motorist and excess uninsured or underinsured liability coverage. Prescribes procedures and requirements for insurers to issue group excess liability insurance.

Background

A surplus lines broker is a person who, after determining that insurance coverage is not readily available from an Arizona-authorized insurer, procures insurance on behalf of an insured from a qualified unauthorized insurer. *Unauthorized insurance* is any insurance permitted to be placed directly or through a surplus lines broker with an insurer who is not licensed to transact insurance in Arizona or with a domestic surplus lines insurer. Any insurance policy form applying to insurance on statutorily regulated risks may not be issued unless the form has been filed with the Director and the Director has issued, within 30 days, an order approving or disapproving the form or the 30-day period has elapsed and the Director has not disapproved the form (A.R.S. §§ [20-398](#); [20-401](#); and [20-407](#)).

*Liability insurance* is insurance against legal liability for the death, injury or disability of any human being, or for damage to property, and the provision of medical, hospital, surgical or disability benefits to injured persons and funeral and death benefits to dependents, beneficiaries or personal representatives of persons killed, irrespective of legal liability of the insured, when issued as an incidental coverage with or supplemental to liability insurance ([A.R.S. § 20-252](#)).

Every insurer writing automobile liability or motor vehicle liability policies must include uninsured motorist coverage that extends to and covers all persons insured under the policy, in limits not less than the liability limits for bodily injury or death contained within the policy. Current motor vehicle liability policy limits are statutorily set as follows: 1) \$25,000 for bodily injury or death of one person in any one accident; 2) \$50,000 for bodily injury or death of two or more persons in any one accident; and 3) \$15,000 for injury or destruction of others' property in any one accident.

*Uninsured motorist coverage* is coverage for damages due to bodily injury or death if the motor vehicle that caused the bodily injury or death is not insured by a motor vehicle liability policy that contains the minimum required statutory coverage limits. *Underinsured motorist coverage* includes coverage for a person if the sum of the limits of liability under all bodily injury or death liability bonds and liability insurance policies applicable at the time of the accident is less than the total damages for bodily injury or death resulting from the accident (A.R.S. §§ [20-259.01](#) and [28-4009](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

***Group Excess Liability Insurance***

1. Allows an authorized or unauthorized insurer to offer group excess liability insurance that provides excess coverage after a certificate holder's primary liability insurance limits have been exhausted.
2. Allows an insurer to issue a group excess liability insurance policy to an employer that insures one or more employees of the employer.
3. Allows a group excess liability insurance policy, in addition to excess liability coverage, to also provide excess uninsured motorist, excess underinsured motorist and excess uninsured or underinsured liability coverage to certificate holders.
4. Allows a group excess liability insurance policy to provide coverage for excess uninsured motorist or underinsured motorist coverage in amounts that exceed the statutory minimum coverage limits.
5. Requires the terms and conditions for any excess uninsured motorist coverage and excess underinsured motorist coverage provided under a group policy to comply with the applicable statutory requirements.
6. Allows a group policyholder to pay the premium for a group excess liability insurance policy from monies contributed wholly by the group policyholder or certificate holders or jointly by the group policyholder and certificate holders.
7. Requires the group excess liability insurance policy to provide separate limits of coverage for each certificate holder.

***Certificate of Insurance Requirements***

8. Allows an insurer to establish underwriting criteria for the group policyholder and certificate holders that apply at issuance and renewal of the group policy and the certificate of insurance and requires insurers to treat all eligible groups of the same class in a like manner.
9. Requires an authorized insurer that issues a group excess liability insurance policy in Arizona to file the policy and the certificate of insurance forms with DIFI and exempts the insurer from statutory rate filing requirements.
10. Requires the terms of the certificate of insurance to be consistent with the terms of the group excess liability insurance policy pursuant to which the certificate of insurance is issued.
11. Allows the group policyholder or the group policyholder's insurance producer to send the certificate of insurance and any endorsement or amendment to the certificate holders on behalf of the insurer, if authorized by the insurer and agreed to the group policyholder or the group policyholder's insurance producer.
12. Requires the certificate of insurance to contain all material terms and conditions of coverage afforded to the certificate holder, including a disclosure in clear and easily understandable language of any limitation, exclusion or required underlying coverage, or a copy of the group

policy must be delivered to the certificate holder within a reasonable period after the certificate of insurance is delivered to the certificate holder.

***Cancellation, Nonrenewal or Conditional Renewal of a Group Policy***

13. Allows an insurer to nonrenew a group policy or any certificate of insurance issued under the policy if the insurer complies with the applicable statutory requirements.
14. Allows an insurer, after a policy or certificate has been in effect for 60 days or if a policy or certificate is a renewal, to cancel the group policy or any certificate of insurance issued under the policy after the effective date of the group policy or certificate of insurance based on any of the following:
  - a) nonpayment of the premium;
  - b) the conviction of the group policyholder or certificate holder of a crime that arose out of acts that increased any of the hazards insured against;
  - c) any acts or omissions by the group policyholder, their representative or the certificate holder that constitute fraud or material misrepresentation in obtaining or continuing the group policy or certificate of insurance or in presenting a claim under group policy or certificate of insurance;
  - d) a substantial change in the risk assumed by the insurer since the group policy or certificate of insurance was issued, except to the extent that the insurer should reasonably have foreseen the change or contemplated the risk in writing the contract;
  - e) a determination by the Director that continuing the group policy or certificate of insurance would place the insurer in violation of Arizona's insurance laws or would jeopardize the solvency of the insurer;
  - f) the loss of reinsurance that applies to the risk insured against, but only if the absence of reinsurance resulted from the termination of treaty reinsurance or facultative reinsurance initiated or implemented by the reinsurer or reinsurers of the insurer issuing the group policy; or
  - g) the discovery of grossly negligent acts by the group policyholder, their representative or the certificate holder that materially increased any of the hazards insured against.
15. Allows a group policyholder to cancel or nonrenew the group policy for any reason with 30 days' written notice to the insurer and each certificate holder.
16. Applies the following to the cancellation, nonrenewal or conditional renewal of coverage under a group excess liability insurance policy:
  - a) an insurer must send notice of nonrenewal to the group policyholder and the certificate holders at least 30 days before the effective date of the nonrenewal, or an authorized group policy holder may send the notice to the certificate holders;
  - b) an insurer must send notice of cancellation to the group policyholder and certificate holders or affected certificate holders at least 30 days before the effective date of cancellation, or an authorized group policy holder may send the notice to the certificate holders;
  - c) the group policy must set forth the conditions and timing on which a certificate holder's coverage will terminate following the termination of a certificate holder's employment with the group policyholder;
  - d) an act or omission by a certificate holder may not constitute the basis for cancellation of the group policy; and

e) the notice of cancellation and any refund or unearned premium may be sent separately, but both must be sent within 30 days before the effective date of the cancellation.

17. Requires an insurer or, if authorized by the insurer and agreed to by the insurance producer, the group policyholder's insurance producer to deliver a copy of the group policy and any endorsement or amendment to the group policyholder.

18. Stipulates that losses remain covered as provided under the group policy notwithstanding a cancellation, nonrenewal or conditional renewal, if a certificate holder sustains a loss that would be covered by the group policy and that occurs before the effective date.

*Miscellaneous*

19. Prohibits an insurer from disclosing claims-related information about any certificate holder to the group policyholder other than the existence of a claim.

20. Specifies that the authorization for insurers to offer group excess liability insurance and the related requirements do not apply to or otherwise prohibit the issuance of commercial excess liability insurance policies that provide coverage to one or more named insureds and its owners, employees, contractors, agents or representatives under a single limit of insurance.

21. Defines *commercial* as insurance that insures against the risks arising from business and commercial activity.

22. Defines terms.

23. Becomes effective on the general effective date.

House Action

COM	1/31/23	DPA/SE	10-0-0-0
3 <sup>rd</sup> Read	2/21/23		59-1-0

Prepared by Senate Research  
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