

# Service Company Supplemental Proposed Rulemaking

Changes requested but not made

# Categories of Comments

1. Financial Reporting
2. Reasonable Time
3. Denial of Claim Appeal
4. Items not specifically excluded are covered
5. Provider definition unnecessary
6. Application Contact Person
7. Application types of items to be covered
8. Application - Owners
9. List of subcontractors
10. Applicability of the Insurance Code
11. Regulatory Catch-all
12. No paper copy of permit
13. Permit renewal
14. Renewal Form should be limited to changes only
15. Late renewal fee
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# Financial Reporting

## R20-6-407(B) Definitions

5. “Insolvent” as used in A.R.S. § 20-1095.08(3) means total liabilities are equal to or exceed total assets.
8. “Solvent” as used in A.R.S. § 20-1095.03(A)(1) means total assets exceed total liabilities.

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# Reasonable time

**B. Definitions.** The definitions in A.R.S. § 20-1095 apply to this rule.

7. "Reasonable time" or "Reasonable period of time:"

. . .

b. As used in A.R.S. § 20-1095.09(A)(4), is what an ordinary person would consider "reasonable" under the totality of the circumstances.

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# Provider definition unnecessary

6. “Provider” means a person who is contractually obligated to the service contract holder under the terms of a service contract. “Provider” is synonymous with “service company” and “obligor” as defined in A.R.S. § 20-1095(6).

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# Application Contact Person

R20-6-407(C)(2) Application. The application shall contain the following information:

f. Applicant's addresses, phone numbers, e-mail address(es) and website address(es):

g. Name, address, and phone number or e-mail address for each contact person of the applicant:

R20-6-407(E) Service company permit renewal and late-renewal.

2. Renewal form. A service company shall use the renewal form designated by the Division. The renewal shall contain the following information:

c. Any changes to the service company's contact person(s) or service contract administrator, or their contact information:

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# Application - Owners

R20-6-407(C)(2) Application. The application shall contain the following information:

h. A list of the applicant's officers, directors, managers, and persons owning 25% or more of the service company, and for each officer, director, manager, or person owning 25% or more of an entity that owns the service company;

3. Application attachments. The applicant shall include the following as part of the application:

c. A biographical affidavit, on a form approved by the Division, for each officer, director, manager, or person owning 25% or more of the service company, and for each officer, director, manager, or person owning 25% or more of an entity that owns the service company.

# Application - Owners (Renewal form)

R20-6-407(E) Service company permit renewal and late-renewal.

2. Renewal form. A service company shall use the renewal form designated by the Division. The renewal shall contain the following information:

c. Any additions or deletions to the officers, directors, managers, or persons owning 25% or more of the service company, or to an entity that owns the service company since the last report to the Division.

d. A biographical affidavit, on a form approved by the Division, for each new person identified in subsection (3)(c).

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# Applicability of the Insurance Code

## R20-6-407(G) Filing of forms.

1. Contracts to be submitted for approval. A service company shall submit contracts for the Division's approval pursuant to A.R.S. § 20-1095.06. A service company is not required to submit advertisements or marketing materials for approval by the Division but shall abide by the provisions of Title 20, Chapter 2 - Article 6, Chapter 4 - Article 11, and this Section regarding misrepresentations in the sales of service contracts.

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# Regulatory Catch-all

R20-6-407(C)(2) Application. The application shall contain the following information:

n. Any other information the Division deems necessary.

R20-6-407(E) Service company permit renewal and late-renewal.

2. Renewal form. A service company shall use the renewal form designated by the Division. The renewal shall contain the following information:

e. Any other information the Division deems necessary.

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# No paper copy of permit

R20-6-407(D) Term of the service company permit.

2. The Division is not required to issue a paper copy of the service company permit.

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# Permit renewal

R20-6-407(E) Service company permit renewal and late-renewal.

1. Timely renewal. A service company seeking to renew its permit shall file with the Division a renewal application, consisting of the renewal application form, all required attachments and the renewal fee after the end of its fiscal year but before the expiration of its permit term. . . .

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R20-6-407(E) Service company permit renewal and late-renewal.

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# Late renewal fee

R20-6-407(E) Service company permit renewal and late-renewal.

5. Late-renewed application and fee.

c. Fee. In addition to the nonrefundable renewal fee required under subsection (E)(4) of this Section, the service company shall pay a nonrefundable additional fee of \$25 per day starting the calendar day after the permit term expiration and ending on the date the service company files a complete renewal application.

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# Contract holder financial responsibility re: subcontractors

R20-6-407(G). Filing of forms.

2. Requirements for approval. No service contract form shall be approved unless it:

d. Specifies in clear and easily understood language the specific circumstances under which a contract holder may engage a subcontractor who is not recommended by the service company without becoming financially responsible under the contract and whether pre-authorization is required prior to engaging a subcontractor who is not recommended by the service company;

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# Service Company's Financial Responsibility

R20-6-407(G) Filing of forms.

2. Requirements for approval. No service contract form shall be approved unless it:

e. Specifies in clear and easily understood language the service company's financial responsibilities to the contract holder when any of the systems, products or appliances covered by the contract cannot be replaced or repaired;

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# Dates of Coverage

R20-6-407(G) Filing of forms.

2. Requirements for approval. No service contract form shall be approved unless it:

h. States the dates of coverage under the service contract including any delay in coverage that differs from the purchase date of the contract which would extend the coverage term of the contract and any terms that govern renewal of the service contract; and

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# Changes to forms on a going forward basis

Comment (CCIA): I would also like to clarify our written comment that HB 2443 as enacted in 2021 did add a new section to 1095-06, Sec. 2, whereby a service company “ may continue to use any service contract form approved by the director pursuant to sections 20-1095.01 and 20-1095.06, Arizona Revised Statutes, before the effective date of this act unless and until the service company submits a new service contract form for approval by the director on or after the effective date of this act.”

We think it would be appropriate to include this language in the proposed rules to match statutory intent.