



June 14, 2022

Mary E. Kosinski
Department of Insurance and Financial Institutions
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Re: Notice of Supplemental Proposed Rulemaking R20-6-407 – Additional Comments

Dear Mary E. Kosinski

Our trade associations appreciate the continued dialogue with you and the team from the Department of Insurance and Financial Institution (“DIFI”) to shape the Proposed Rulemaking R20-6-407 in way that protects Arizona consumers and helps service companies assure continue delivery of quality cost-effective and compliant products.

We offer two comments as a follow up to our previous submissions and today’s hearing:

(1) Denial of claim appeal

In the proposed service contract rules, the Department has proposed under R20-6-407(G)(2)(f) that:

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

Notifies the contract holder that the denial of a claim can be appealed if the contract holder can produce a home inspection report or maintenance records, or other applicable supporting documents.

We support the DIFI’s consumer protection objective with this notification and do not object to giving the consumer the right to dispute a denied claim. To that end, in today’s discussion with DIFI staff, we suggested a compromise solution whereby such notification can be implemented in a consumer-facing process rather than the service contract form.

We strongly reiterate our recommendation to move this new required notification out of the form and into a procedure, such as the claim process. Placement of such a notification in the claim process is highly relevant and timely for Arizona contract holders since they’re in the claim process – it is simply well-paired with the process vs. an up-front form.

To implement this new requirement, evidence of the appeals notification could be treated similar to the new requirement that service companies provide proof of contract delivery upon request of the department. That is, the department need only ask service companies for proof that they are using the appeals notification in their process(es). In this way, it is likely to reduce the burden on DIFI department staff to review numerous additional form filings.

The trade associations have no objection to a proposed rule which as a matter of best practice requires service companies to allow contract holders the right to submit documentation in support of their claim. While we will not relitigate that the statute does not require a right of appeal be added to the service contract form, we strong believe placement of this new notification in the claims process will actually strengthen the consumer protections in the proposed rule since it more relevant and timely to Arizona contract holders.

(2) Implementation Extension

As we described in the hearing, even the smallest of form changes necessitates extensive effort and time to implement. This entails document edits, reviews – sometimes field testing – system programming changes, and a B2B customer approval process.

Given the proposed rule may entail new form changes, we respectfully ask for a six (6) month timeline after the date the proposed rule is finalized to implement the new forms.

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Thank you again for collaborating with us to shape the proposed rule that strikes a balance between consumer protections and the health of the industry. Please do not hesitate to reach out to us with any questions.

Sincerely,

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