

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

CHAPTER 29
HOUSE BILL 2121

AN ACT

AMENDING SECTIONS 20-156, 20-287, 20-288, 20-340.01 AND 20-415, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 13, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-489.01; RELATING TO INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-156, Arizona Revised Statutes, is amended to
3 read:

4 20-156. Examination of insurers; financial surveillance fund;
5 definition

6 A. The director shall examine the affairs, transactions, accounts,
7 records and assets of each authorized insurer as often as the director deems
8 advisable. The director shall so examine each domestic insurer, ~~domestic~~
9 ~~life and disability reinsurer as defined in section 20-1082, service company~~
10 ~~as defined in section 20-1095 and mechanical reimbursement reinsurer as~~
11 ~~defined in section 20-1096~~ at least once every five years. Examination of an
12 alien insurer shall be limited to its insurance transactions in the United
13 States. ~~THE DIRECTOR MAY EXAMINE THE BUSINESS TRANSACTIONS AND AFFAIRS OF~~
14 ~~EACH DOMESTIC LIFE AND DISABILITY REINSURER AS DEFINED IN SECTION 20-1082,~~
15 ~~SERVICE COMPANY AS DEFINED IN SECTION 20-1095 AND MECHANICAL REIMBURSEMENT~~
16 ~~REINSURER AS DEFINED IN SECTION 20-1096.~~

17 B. The director shall in like manner examine each insurer applying for
18 an initial certificate of authority to do business in this state.

19 C. In lieu of making an examination, the director may accept a full
20 report of the last recent examination of a foreign or alien insurer,
21 certified to by the insurance supervisory official of another state,
22 territory, commonwealth or district of the United States.

23 D. The expenses of the examinations conducted under this section shall
24 be paid by the insurance examiners' revolving fund as provided in section
25 20-159. Such expenses shall be limited to preexamination selection and
26 preparation costs, examination costs, postexamination costs and other such
27 costs of evaluations of compliance required by law.

28 E. The financial surveillance fund is established consisting of monies
29 collected pursuant to subsection F of this section. The fund is a special
30 state fund pursuant to section 35-142, subsection A, paragraph 8. The
31 department shall administer the fund. Monies in the fund are continuously
32 appropriated and are exempt from the provisions of section 35-190 relating to
33 lapsing of appropriations.

34 F. The director shall annually assess and collect from each domestic
35 insurer, other than a domestic life and disability reinsurer as defined in
36 section 20-1082, a service company as defined in section 20-1095, and a
37 mechanical reimbursement reinsurer as defined in section 20-1096, an amount
38 within the ranges provided in this subsection and on a uniform percentage
39 basis among all fee categories, to pay the costs of employing financial
40 analysts who shall assist the department in conducting financial surveillance
41 of domestic insurers. The director shall deposit all collected monies in the
42 financial surveillance fund. The director shall base the amount of each
43 insurer's assessment on the total admitted assets of the insurer as shown in
44 its annual statement for the calendar year preceding the year in which the
45 assessment is made, according to the following schedule:

46 Minimum Maximum

	Assessment Amount	Assessment Amount
1 Insurers with total admitted		
2 assets of greater than		
3 \$1,000,000,000	\$15,000	\$22,500
4 Insurers with total admitted		
5 assets of at least \$200,000,000		
6 but not more than \$1,000,000,000	\$ 5,000	\$ 7,500
7 Insurers with total admitted		
8 assets of at least \$100,000,000		
9 but not more than \$199,999,999	\$ 3,000	\$ 4,500
10 Insurers with total admitted assets		
11 of at least \$50,000,000 but not		
12 more than \$99,999,999	\$ 1,500	\$ 2,250
13 Insurers with total admitted assets		
14 of at least \$25,000,000 but not		
15 more than \$49,999,999	\$ 500	\$ 750
16 Insurers with total admitted		
17 assets of not more than		
18 \$24,999,999	\$ 250	\$ 375

20 G. For the purposes of this section, "insurer" includes health care
21 services organizations, prepaid dental plan organizations, hospital service
22 corporations, medical service corporations, dental service corporations and
23 hospital, medical, dental and optometric service corporations incorporated in
24 this state.

25 Sec. 2. Section 20-287, Arizona Revised Statutes, is amended to read:
26 20-287. Nonresident licensing

27 A. Unless the director denies a license pursuant to section 20-295,
28 the director shall issue a nonresident person a nonresident **INSURANCE**
29 producer license if all of the following apply:

30 1. The person is currently licensed as a resident and in good standing
31 in the person's home state.

32 2. The person has submitted the proper request for licensure and has
33 paid the fees prescribed in section 20-167.

34 3. The person has submitted the application for licensure as an
35 insurance producer that the person submitted to the person's home state or a
36 completed uniform application on a form prescribed by the national
37 association of insurance commissioners.

38 4. The person's home state issues nonresident **INSURANCE** producer
39 licenses to residents of this state on the same basis.

40 B. ~~A nonresident insurance producer who moves from one state to~~
41 ~~another state or~~ **TO REMAIN CONTINUOUSLY LICENSED IN THIS STATE**, a resident
42 insurance producer who moves from this state to another state shall file,
43 **WITHIN THIRTY DAYS AFTER REQUESTING A CLEARANCE LETTER**, a change of address
44 form as prescribed in section 20-286, subsection C and ~~provide~~ **APPLY FOR**
45 **LICENSURE FROM THE NEW RESIDENT STATE. AFTER RECEIVING THE LICENSE FROM THE**
46 **NEW RESIDENT STATE, THE INSURANCE PRODUCER SHALL IMMEDIATELY NOTIFY** the

1 director ~~with certification of licensure from the new resident state within~~
2 ~~thirty days after receiving~~ OF the new resident license. A fee or license
3 application is not required.

4 C. Notwithstanding any other provision of this chapter, the director
5 shall issue:

6 1. A nonresident surplus lines broker license pursuant to subsection A
7 of this section to a person who is licensed as a surplus lines producer or
8 broker in the person's home state. Except as provided in subsection A of
9 this section, this section does not amend or supersede article 5 of this
10 chapter.

11 2. A nonresident insurance producer license pursuant to subsection A
12 of this section to a person who is licensed in the person's home state to
13 transact limited lines insurance. The license shall grant the person the
14 same scope of authority granted under the license issued by the person's home
15 state. For the purposes of this paragraph, limited lines insurance is any
16 authority that is granted by the home state and that restricts the authority
17 of the license to less than the total authority prescribed in the associated
18 major line insurance.

19 D. Except as otherwise provided in this title, a nonresident licensee
20 is subject to this title as though the licensee were licensed as a resident.

21 Sec. 3. Section 20-288, Arizona Revised Statutes, is amended to read:
22 20-288. Exemption from examination

23 A. An individual who applies for an insurance producer license in this
24 state and who was previously licensed for the same lines of authority in
25 another state is not required to take an examination if either:

26 1. The applicant is currently licensed in the other state.

27 2. The application is received within ninety days after the
28 cancellation of the ~~applicant's previous~~ RESIDENT license THAT THE APPLICANT
29 HELD IN ANOTHER STATE and the other state issues a certification that, at the
30 time of cancellation, the applicant was in good standing in that state, or
31 other reliable information available to the director indicates that the
32 applicant is or was licensed in good standing for the line of authority
33 requested. THIS PARAGRAPH DOES NOT APPLY TO AN APPLICANT WHO FAILS AN
34 EXAMINATION ADMINISTERED BY THIS STATE FOR A SPECIFIC LINE OF AUTHORITY FOUR
35 TIMES WITHIN A TWELVE-MONTH PERIOD, WHO BECOMES LICENSED AS A RESIDENT IN
36 ANOTHER STATE FOR THE SPECIFIC LINE OF AUTHORITY AND WHO CANCELS THE LICENSE
37 IN THE OTHER STATE AND APPLIES FOR A RESIDENT LICENSE IN THIS STATE WITHIN
38 ONE YEAR OF THE LAST EXAMINATION ADMINISTERED TO THE APPLICANT BY THIS STATE
39 FOR THE SPECIFIC LINE OF AUTHORITY.

40 B. The following applicants are not required to take an examination:

41 1. An applicant for timely renewal of a license.

42 2. An applicant for the same type of license that covers the same
43 lines of authority for which the applicant was licensed in this state, other
44 than under a temporary license, within the twelve months preceding the date
45 of application.

1 3. An applicant ~~who is a ticket selling agent or any other~~
2 ~~representative of a common carrier~~ for a limited line license ~~that covers the~~
3 ~~sale of travel accident ticket policies or baggage insurance.~~

4 4. An applicant for a license as a nonresident insurance producer who
5 meets the requirements of section 20-287, subsection A.

6 5. An applicant for a rental car agent license that is issued pursuant
7 to section 20-331.

8 6. An applicant for a self-service storage agent license that is
9 issued pursuant to section 20-332.

10 Sec. 4. Section 20-340.01, Arizona Revised Statutes, is amended to
11 read:

12 20-340.01. Bail bond agents; licensure; business entities;
13 place of business; receipt; maintenance of records

14 A. A person shall not act as a bail bond agent in this state unless
15 the person is licensed by the director in accordance with this article. An
16 applicant for a bail bond agent license shall submit an affidavit attesting
17 to the applicant's residency in this state for at least one year immediately
18 preceding the date of application.

19 B. Each applicant for A bail bond agent license shall submit a full
20 set of fingerprints to the department of insurance for the purpose of
21 obtaining a state and federal criminal records check pursuant to section
22 41-1750 and Public Law 92-544. The department of public safety may exchange
23 this fingerprint data with the federal bureau of investigation. The
24 department of insurance shall not issue a license until it receives the state
25 and federal criminal history records check and the applicant is qualified for
26 licensure.

27 C. The director shall not license a resident business entity as a bail
28 bond agent unless each owner and shareholder is individually licensed as a
29 bail bond agent.

30 D. A person who is licensed as a bail bond agent in this state is not
31 authorized in this state to transact civil bonds in connection with
32 contracts, administrative proceedings or other noncriminal matters on behalf
33 of a surety insurer unless the bail bond agent is also licensed as a ~~property~~
34 ~~and~~ casualty producer in this state.

35 E. Each bail bond agent shall have and maintain a place of business in
36 this state that is accessible to the public and where the bail bond agent
37 principally conducts transactions under the agent's license.

38 F. As a minimum requirement for permanent office records, each bail
39 bond agent and general lines agent who is engaged in the bail bond business
40 shall maintain a daily bond register that is the original and permanent
41 record of all bonds or undertakings executed by the licensee and that states
42 the:

- 43 1. Number of the power of attorney form.
- 44 2. Date the bond was executed.
- 45 3. Name of the principal.
- 46 4. Amount of the bond.

- 1 5. Premium charged.
- 2 6. Premium reported to the surety company.
- 3 7. Security or collateral received.
- 4 8. Date the security or collateral was received and the date released.
- 5 9. Indemnity agreements.
- 6 10. Disposition of the bond.
- 7 11. Date of disposition.

8 G. Each bail bond agent and general lines agent who is engaged in the
9 bail bond business and who accepts monies or any other consideration for any
10 bail bond undertaking shall for each payment received give to the person
11 paying the monies or giving the consideration a prenumbered receipt as
12 evidence of payment. The receipt must state the date, the name of the
13 principal, a description of the consideration or amount of monies received
14 and the purpose for which received, the number of the power of attorney form
15 attached to the bond, the penal sum of the bond, the name of the person
16 making the payment or giving the consideration and the terms under which the
17 monies or other consideration shall be released. Each bail bond agent shall
18 retain a duplicate copy of each receipt issued as part of the agent's
19 records.

20 H. The bail bond agent shall keep at the agent's place of business the
21 usual and customary records pertaining to transactions made under the
22 license. The licensee shall keep all the records as to any particular
23 transaction available and open to the inspection of the director at any
24 business time during the three years immediately after the date of completion
25 of the transaction.

26 I. The director may examine the business practices, books and records
27 of any bail bond agent as often as the director deems appropriate. The bail
28 bond agent shall pay the costs incurred for the examination.

29 Sec. 5. Section 20-415, Arizona Revised Statutes, is amended to read:

30 20-415. Statement of surplus lines insurance business
31 transacted by broker; reporting periods

32 A. Each surplus lines broker shall file ~~semiannually~~ with the director
33 a statement of all surplus lines insurance business covering Arizona
34 ~~single-state~~ risks transacted by the broker during the period for which the
35 statement is being filed. The statement shall be on a form prescribed by the
36 director and shall show:

- 37 1. Gross amount of each kind of insurance transacted.
- 38 2. Aggregate gross premiums charged.
- 39 3. Aggregate of return premiums paid to insureds.
- 40 4. Aggregate of net premiums.
- 41 5. Such additional information as may reasonably be required by the
42 director.

43 B. The statement required by subsection A of this section is due on or
44 before February 15 of each year for the preceding July through December and
45 on or before August 15 of each year for the preceding January through June
46 for business covering Arizona single-state risks, **EXCEPT THAT FOR MULTISTATE**

1 TRANSACTIONS OCCURRING ON OR BEFORE DECEMBER 31, 2014, THE STATEMENT SHALL BE
2 DUE ON OR BEFORE THE DATE SPECIFIED IN SUBSECTION D OF THIS SECTION.

3 C. IF A CLEARINGHOUSE IS ESTABLISHED, IS IN OPERATION AND IF THE
4 DIRECTOR ENTERS INTO A MULTISTATE AGREEMENT OR COMPACT PURSUANT TO SECTION
5 20-416.01, each surplus lines broker shall file quarterly, with the
6 clearinghouse responsible for administering the compact or multistate
7 agreement ~~entered into by the director pursuant to section 20-416.01~~, a
8 notarized statement of all surplus lines insurance business covering
9 multistate risks transacted by the broker on behalf of insureds whose home
10 state is Arizona during the calendar quarter for which the statement is being
11 filed. The statement shall be on a form prescribed by the clearinghouse and
12 shall include all information required by the clearinghouse. A facsimile of
13 the original notarized statement may be submitted in lieu of the original
14 notarized statement. The broker shall maintain the original notarized
15 statement for a period of six years after the calendar year in which the
16 statement was filed.

17 D. The statement required by subsection C of this section is due on or
18 before February 15 for the quarter ending the preceding December 31, May 15
19 for the quarter ending the preceding March 31, August 15 for the quarter
20 ending the preceding June 30 and November 15 for the quarter ending the
21 preceding September 30.

22 Sec. 6. Title 20, chapter 2, article 13, Arizona Revised Statutes, is
23 amended by adding section 20-489.01, to read:

24 20-489.01. Application of other laws

25 TO THE EXTENT PERMITTED BY THIS ARTICLE, SECTION 20-142, SUBSECTION E
26 APPLIES TO THIS ARTICLE.

APPROVED BY THE GOVERNOR APRIL 15, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 15, 2014.