

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature – First Regular Session

COMMITTEE ON INSURANCE

Report of Regular Meeting
Wednesday, February 4, 2015
House Hearing Room 4 -- 9:30 a.m.

Convened 9:37 a.m.

Recessed

Reconvened

Adjourned 11:45 a.m.

Members Present

Mr. Coleman
Mr. Larkin
Mr. Lovas
Ms. McCune Davis
Ms. Otondo
Mr. Robson
Mr. Livingston, Vice-Chairman
Ms. Fann, Chairman

Members Absent

Request to Speak

Report – Attachment 1

Presentations

Name

None

Organization

Attachments (Handouts)

Committee Action

Bill

Action

Vote

Attachments (Summaries,
Amendments, Roll Call)

HB2168	DP	8-0-0-0	2, 3
HB2172	FAILED	4-4-0-0	4, 5, 6
HB2327	DP	8-0-0-0	7, 8,
HB2331	DPA	8-0-0-0	9, 10, 11
HB2332	DPA	8-0-0-0	12, 13, 14
HB2335	DPA	8-0-0-0	15, 16, 17
HB2347	DP	8-0-0-0	18, 19
HB2350	DP	8-0-0-0	20, 21
HB2568	DPA	6-1-0-1	22, 23, 24, 25, 26


Adrian Luth, Chairman Assistant
Wednesday, February 4, 2015

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

Information Registered on the Request to Speak System

House Insurance (2/4/2015)

HB2168, public agency pooling; unemployment insurance

Testified in support:

William Sims, representing self

Support:

Ken Strobeck, LEAGUE OF ARIZONA CITIES & TOWNS; Gretchen Jacobs, AZ SCHOOL RISK RETENTION TRUST; Norman Hall, AZ SCHOOL RISK RETENTION TRUST

All Comments:

Gretchen Jacobs, AZ SCHOOL RISK RETENTION TRUST: Thank you

HB2332, accountable health plans; disclosure; repeal

Testified in support:

Chuck Bassett, Blue Cross Blue Shield Of AZ

Support:

Steve Barclay, BLUE CROSS AND BLUE SHIELD OF AZ; Jeff Sandquist, Independent Insurance Agents & Brokers Of Arizona; Helen Heiden, Arizona Chamber Of Commerce And Industry; David Childers, AMERICA'S HEALTH INSURANCE PLANS (AHIP); kathyrn busby, HEALTH NET INC.

Neutral:

Andrew Carlson, Executive Assistant for Policy Affairs, AZ DEPT OF INSURANCE

All Comments:

Jeff Sandquist, Independent Insurance Agents & Brokers Of Arizona: The Independent Insurance Agents & Brokers support HB 2332 because it eliminates redundancy and provides clarification.

HB2335, insurance compliance audit privilege

Testified in support:

Don Isaacson, STATE FARM INSURANCE COMPANIES

Support:

Amanda Rusing, American Insurance Association; Kathi Beranek, Blue Cross Blue Shield Of Arizona; Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; David Childers, Government Employees Insurance Co.; Ellen Poole, Executive Director, SW Region Govt Relations, U.S.A.A.; Cheyenne Walsh, STATE FARM INSURANCE COMPANIES;

ATTACHMENT |

Helen Heiden, Arizona Chamber Of Commerce And Industry; James Stabler, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA; J. Michael Low, Attorney, American Council Of Life Insurers, AIG, Prudential, Metlife, American Family & Allstate; Eric Emmert, East Valley Chambers Of Commerce Alliance ; Tom Dorn, American Insurance Association

Neutral:

Barry Aarons, AZ TRIAL LAWYERS ASSOCIATION; Andrew Carlson, Executive Assistant for Policy Affairs, AZ DEPT OF INSURANCE

All Comments:

J. Michael Low, American Council Of Life Insurers, AIG, Prudential, Metlife, American Family & Allstate: .

HB2172, motor vehicle liability insurance requirements

Testified in support:

Geoffrey Trachtenberg, representing self

Testified as neutral:

Robert Burgess, representing self

Testified as opposed:

David Childers, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; Ellen Poole, Executive Director, SW Region Govt Relations, U.S.A.A.

Support:

Janice Goldstein, Arizona Trial Lawyers Association; Barry Aarons, AZ TRIAL LAWYERS ASSOCIATION; James Hamilton, LEVENBAUM TRACHTENBERG, PLC

Neutral:

Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; Andrew Carlson, Executive Assistant for Policy Affairs, AZ DEPT OF INSURANCE

Oppose:

Amanda Rusing, American Insurance Association; Helen Heiden, Arizona Chamber Of Commerce And Industry; kelsey lundy, Lobbyist, ENTERPRISE RENT-A-CAR

All Comments:

Ellen Poole, U.S.A.A.: X; Andrew Carlson, AZ DEPT OF INSURANCE: ADOI is neutral with the Fann amendment adopted.

HB2327, vehicle insurance cards; barcode

Testified as neutral:

Robert Burgess, representing self

Support:

J. Michael Low, Attorney, American Family Insurance

Neutral:

Amanda Rusing, American Insurance Association; Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; Andrew Carlson, Executive Assistant for Policy Affairs, AZ DEPT OF INSURANCE

HB2331, workers' compensation; fraudulent claims; forfeiture**Testified in support:**

Jeff Gray, AZ SELF-INSURERS ASSOC, Self

Support:

Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; Marc Osborn, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; Amanda Rusing, American Insurance Association; Barry Aarons, AZ TRIAL LAWYERS ASSOCIATION, AZ ASSN OF LAWYERS FOR INJURED WORKERS; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; Helen Heiden, Arizona Chamber Of Commerce And Industry; Kelly Norton, AZ MINING ASSN; James Stabler, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA; Jaime Molera, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA; Steven Moortel, Mitchell Out Of Network Solutions; Chad Guzman, AZ PUBLIC SERVICE COMPANY (APS); Rebecca Hudson, Analyst, Corporate Public Affairs, SOUTHWEST GAS CORP; Manny Tarango, SALT RIVER PROJECT (SRP); Ken Strobeck, LEAGUE OF ARIZONA CITIES & TOWNS; J. Michael Low, Attorney, AIG, American Family Insurance; Steven Eddy, TUCSON ELECTRIC POWER COMPANY; Eric Emmert, East Valley Chambers Of Commerce Alliance ; Tom Dorn, American Insurance Association

All Comments:

Marc Osborn, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA: Support the Amendment; Barry Aarons, AZ TRIAL LAWYERS ASSOCIATION, AZ ASSN OF LAWYERS FOR INJURED WORKERS: Support with amendment; Kelly Norton, AZ MINING ASSN: The AMA Supports HB2331; James Stabler, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA: With amendment; J. Michael Low, AIG, American Family Insurance: .

HB2347, unemployment insurance; base period notices**Testified in support:**

Kathy Ber, DES Director of Legislative Services, Arizona Department Of Economic Security

Support:

Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Helen Heiden, Arizona Chamber Of Commerce And Industry; Kelly Norton, AZ MINING ASSN; Farrell Quinlan, State Director, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; Eric Emmert, East Valley Chambers Of Commerce Alliance

HB2350, limited line insurance; examination exemption

Support:

J. Michael Low, Attorney, AIG

Neutral:

Andrew Carlson, Executive Assistant for Policy Affairs, AZ DEPT OF INSURANCE

HB2568, insurance premium tax reduction

Testified in support:

Glenn Hamer, Arizona Chamber Of Commerce And Industry; kelsey lundy, Lobbyist, AZ CHAMBER OF COMMERCE; J. Michael Low, Attorney, American Family Insurance, Prudential & American Council Of Life Insurers

Support:

Amanda Rusing, American Insurance Association; Don Isaacson, STATE FARM INSURANCE COMPANIES; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; Ellen Poole, Executive Director, SW Region Govt Relations, U.S.A.A.; Cheyenne Walsh, STATE FARM INSURANCE COMPANIES; David Childers, Government Employees Insurance Co., Nationwide Insurance Company, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; James Stabler, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA; Stuart Goodman, CSAA Insurance Group; Eric Emmert, East Valley Chambers Of Commerce Alliance ; Lyn Harry White, CLARK HILL PLC

Neutral:

Andrew Carlson, Executive Assistant for Policy Affairs, AZ DEPT OF INSURANCE

All Comments:

J. Michael Low, American Family Insurance, Prudential & American Council Of Life Insurers: ; Andrew Carlson, AZ DEPT OF INSURANCE: ADOI's Chief Operating Officer, Scott Greenberg, is available for tax related questions.



HOUSE OF REPRESENTATIVES

HB 2168

public agency pooling; unemployment insurance

Sponsor: Representative Brophy McGee

X Committee on Insurance

Caucus and COW

House Engrossed

OVERVIEW

HB 2168 expands the types of service that an insurance pool can offer to its participants.

HISTORY

Arizona Revised Statutes (A.R.S.) § 11-952.01 governs the formation of public agency pools. Two or more public agencies may form a pool for the purpose of purchasing various types of insurance. Additionally, the pool may invest public monies on behalf of pool members. Statute states that a public agency pool shall be operated by a board of trustees (Board) and prescribes the powers and duties of the Board. The Board must file appropriate notice regarding the formation of a pool. Public agency pools are required to be annually audited by a certified public accountant and submit the audit to the governing board of each pool member and to the Director of The Department of Insurance (DOI). Currently, DOI is required to examine pools every five years but has the authority to examine a pool sooner if it believes the pool is insolvent.

Public agencies include federal agencies, Indian tribes, state departments, agencies, boards and commissions, counties, school districts, fire districts, cities, towns, all municipal corporations, and any other political subdivisions of this state or any other state (A.R.S. § 11-951).

PROVISIONS

1. Allows a pool to offer services, including making payments in lieu of contributions, on behalf of pool participants in the unemployment insurance program offered by the Arizona Department of Economic Security.
2. States the pool is deemed an agent of the pool participants as employers.
3. Makes conforming changes.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2168

DATE February 4, 2015 MOTION: PP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Ms. McCune Davis		✓			
Ms. Otondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		8	0	0	0

APPROVED:

Karen Fann, Chairman
 KAREN FANN, Chairman
 DAVID LIVINGSTON, Vice-Chairman

[Signature]
 COMMITTEE SECRETARY

ATTACHMENT 3



HOUSE OF REPRESENTATIVES

HB 2172

motor vehicle liability insurance requirements

Sponsor: Representative Brophy McGee

-
- X Committee on Insurance
Committee on Transportation & Infrastructure
Caucus and COW
House Engrossed
-

OVERVIEW

HB 2172 increases the amount of coverage for vehicle liability insurance.

HISTORY

Arizona Revised Statutes (A.R.S.) § 28-4135 requires a vehicle that is operated on a highway to meet certain coverage requirements, which include a motor vehicle or automobile liability policy with statutorily defined limits or a certificate of deposit or cash as an alternate method of proof of coverage.

Current statute outlines the minimum coverage amounts for a motor vehicle or automobile liability policy. A liability policy must cover \$15,000 in the event of injury or death of one person in any one accident and \$30,000 in the event of injury or death to two or more persons in any one accident, subject to the limit of one person. Additionally, a liability policy must cover \$10,000 because of injury to or destruction of property of others in any one accident (A.R.S. § 28-4009).

Statute allows a person to receive a certificate to be used as evidence of proof of financial responsibility by providing the state treasurer with \$40,000 in cash or a certificate of deposit valued at \$40,000 that has been issued by a financial institution (A.R.S. § 28-4048).

PROVISIONS

1. Specifies that current vehicle liability insurance coverage amounts apply to policies that have been issued, renewed or reinstated on or before May 31, 2016.
2. Stipulates that vehicle liability insurance coverage amounts for policies issued or renewed beginning June 1, 2016 meet the following:
 - a. \$25,000 because of bodily injury or death of one person in any one accident.
 - b. \$50,000, subject to the limit for one person because of bodily injury to or death of two or more persons in any one accident.
 - c. \$25,000 because of injury to or destruction of property of others in any one accident.
3. Increases the amount of cash or the value of a certificate of deposit given to the state treasurer in order to receive a certificate of proof of financial responsibility to \$75,000 dollars.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2172

(Reference to printed bill)

- 1 Page 1, line 20, strike "MAY 31, 2016" insert "DECEMBER 31, 2016"
- 2 Line 28, strike "JUNE 1, 2016" insert "JANUARY 1, 2017"
- 3 Amend title to conform

KAREN FANN

2172-p1-fann
2/3/15
8:20 AM
H:ajs

Adopted # of Verbals _____
Failed _____ Withdrawn _____
Not Offered _____ Analysts Initials _____

ATTACHMENT 5

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2172

DATE February 4, 2015 MOTION: ~~DPA~~ FAILED

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin	✓		✓		
Mr. Lovas			✓		
Ms. McCune Davis		✓			
Ms. Ofondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman			✓		
Ms. Fann, Chairman			✓		
		4	4	0	0

APPROVED:

Karen Fann, Chairman

KAREN FANN, Chairman
DAVID LIVINGSTON, Vice-Chairman

David Livingston
COMMITTEE SECRETARY

ATTACHMENT 6



HOUSE OF REPRESENTATIVES

HB 2327

vehicle insurance cards; barcode
Sponsor: Representative Robson

X Committee on Insurance
Caucus and COW
House Engrossed

OVERVIEW

HB 2327 allows a motor vehicle insurer to place an encrypted barcode on their insurance cards.

HISTORY

Arizona Revised Statute (A.R.S.) § 28-4133 requires motor vehicle insurers to issue at least two insurance identification cards for motor vehicle insurance policies. These insurance cards must state that a person is required to possess evidence of financial responsibility within the motor vehicle, that the card meets this requirement, and is considered satisfactory evidence if asked for proof of financial responsibility. This also applies to an image of the card that is displayed on a wireless communication device.

Additionally, statute requires insurers to list their names, mailing addresses, telephone numbers and other information as required by the Arizona Department of Transportation on all of their documentary evidence.

Statute defines *evidence* as an original, photocopy or copy of a current and valid: a) motor vehicle liability policy; b) binder or certificate of motor vehicle liability insurance; c) certificate of self-insurance; d) certificate of deposit; e) motor vehicle insurance identification card; or f) certificate of insurance. Displays on a wireless communication device of any of these items are also considered valid.

PROVISIONS

1. States that a motor vehicle insurer may place an encrypted barcode on their insurance cards.

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2327

DATE February 4, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin	✓	✓			
Mr. Lovas		✓			
Ms. McCune Davis		✓			
Ms. Otondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		8	0	0	0

APPROVED:

Karen Fann Chair
KAREN FANN, Chairman
DAVID LIVINGSTON, Vice-Chairman

David Livingston
COMMITTEE SECRETARY

ATTACHMENT 8



HOUSE OF REPRESENTATIVES

HB 2331

workers' compensation; fraudulent claims; forfeiture
Sponsor: Representative Fann

X Committee on Insurance
Caucus and COW
House Engrossed

OVERVIEW

HB 2331 requires a claimant for workers' compensation to sign a document acknowledging that falsifying statements is subject to penalties, fines, and forfeiture of benefits.

HISTORY

Arizona Revised Statutes (A.R.S.) § 23-1021 entitles an employee who suffers a job-related injury the right to compensation for loss sustained on account of the injury, unless the injury was purposely self-inflicted. In order to receive compensation, the employee must file a claim with the Arizona Industrial Commission within one year from the date of injury or when the injured employee became aware of the condition.

Pursuant to A.R.S. § 23-1028, a claimant who knowingly makes a false statement in order to obtain any compensation, benefit or payment forfeits all rights to such compensation, benefit or payment and is guilty of a Class 6 felony.

PROVISIONS

1. Mandates a claimant for compensation to sign any document which reports employment status or earnings to the insurance carrier or self-insured employer.
2. Requires the document to contain a statement which must be substantially similar to:
"Any person who knowingly makes a false statement or representation to obtain any compensation, benefit or payment is guilty of a Class 6 felony and is subject to up to one and one-half years in prison, a fifty thousand dollar fine and forfeiture of benefits. By my signature below, I am applying for all benefits to which I may be entitled and I swear that the statements made on this application are true, correct and complete."
3. Clarifies a claimant, who knowingly makes a false statement or representation in order to obtain any compensation, benefit or payment, forfeits all rights to any future temporary or permanent disability compensation, benefit or payment after conviction of the offense.
4. Specifies forfeiture does not terminate on any subsequent designation of the offense as a misdemeanor.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2331

(Reference to printed bill)

- 1 Page 1, line 11, strike "benefit or payment,"
- 2 Line 13, strike ", benefit or payment" insert "FOR THE CLAIM ON WHICH THE FALSE
- 3 STATEMENT OR REPRESENTATION WAS MADE"
- 4 Line 21, strike "DOCUMENT" insert "MONTHLY OR ANNUAL INCOME STATUS REPORT"
- 5 Line 24, strike "A"; strike line 25, insert "THE FOLLOWING STATEMENT:"
- 6 Line 33, after "COMPLETE" insert "TO THE BEST OF MY KNOWLEDGE"
- 7 Amend title to conform

KAREN FANN

2331-p1-fann
2/2/15
1:15 PM
H:laa

Adopted # of Verbals _____
Failed _____ Withdrawn _____
Not Offered _____ Analysts Initials _____

ATTACHMENT 10

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2331

DATE February 4, 2015 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Ms. McCune Davis		✓			
Ms. Otondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		8	0	0	0

APPROVED:

Karen Fann
 KAREN FANN, Chairman
 DAVID LIVINGSTON, Vice-Chairman

[Signature]
 COMMITTEE SECRETARY

ATTACHMENT 11



HOUSE OF REPRESENTATIVES

HB 2332

accountable health plans; disclosure; repeal

Sponsor: Representative Fann

X Committee on Insurance

Caucus and COW

House Engrossed

OVERVIEW

HB 2332 eliminates the requirement for an accountable health plan to provide forms disclosing information covered in the health benefits plan.

HISTORY

The Patient Protection and Affordable Care Act requires health insurers to provide a uniform summary of benefits and coverage explanation that accurately describes the benefits and coverage under the applicable plan or coverage. Federal law outlines the contents of the summary which include: a) uniform definitions of standard insurance and medical terms; b) description of the coverage; c) exceptions, reductions, and limitations on the coverage; d) cost-sharing provisions, including deductible, co-insurance, and copayments; e) the renewability and continuation of coverage; f) coverage examples; g) a statement about minimum essential coverage; h) a statement that the outline is a summary only. Health insurers must provide the summary of benefits and coverage to an applicant at the time of application or to an enrollee prior to the time of enrollment or re-enrollment.

Statute defines *accountable health plan* as an entity that offers, issues or otherwise provides a health benefits plan and is approved by The Department of Insurance. Each accountable health plan that offers a health benefits plan to the public is required to provide disclosure forms to all employers who are considering participating in a health benefits plan offered by the accountable health plan. Furthermore, the employer must provide the disclosure forms to eligible employees no later than the initiation of any open enrollment period or at least 10 days before any employee enrollment deadline (Arizona Revised Statute § 20-2323).

Statute outlines the contents of the disclosure form which must include at least: a) full premium cost of the plan; b) any copayment, coinsurance or deductible requirements; c) the enrollee's health care benefits; d) limitations of the services, kinds of services, benefits and exclusions; and e) statement that the disclosure form is a summary only.

PROVISIONS

1. Repeals statute requiring an accountable health plan to provide to the public a disclosure form outlining the contents of the health benefits plan.

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2332
(Reference to printed bill)

1 Page 1, between lines 1 and 2, insert:

2 "Section 1. Section 20-1057.02, Arizona Revised Statutes, is amended
3 to read:

4 20-1057.02. Prescription drug formulary; definitions

5 A. A health care services organization with a prescription drug
6 benefit that uses a drug formulary as a component of the evidence of coverage
7 shall provide to its enrollees notice in the evidence of coverage ~~and the~~
8 ~~disclosure form prescribed in section 20-1076~~ regarding the applicable drug
9 formulary. The health care services organization shall write the notice so
10 that the language and format are easy to understand. The notice shall
11 include an explanation of what a drug formulary is, how the health care
12 services organization determines which prescription drugs are included or
13 excluded and how often the health care services organization reviews the
14 contents of the drug formulary.

15 B. A health care services organization described in subsection A of
16 this section shall:

17 1. Develop and maintain a process by which health care professionals
18 may request authorization for a medically necessary formulary or nonformulary
19 prescription drug during nonbusiness hours. If the health care services
20 organization does not maintain that process, the health care services
21 organization shall reimburse an enrollee for the enrollee's out-of-pocket
22 expense minus any deductible or copayment for a prescription drug that was
23 purchased by the enrollee without preauthorization but that was later
24 approved by the health care services organization.

Adopted # of Verbals _____
Failed _____ Withdrawn _____
Not Offered _____ Analysts Initials _____

ATTACHMENT 13

1 2. Develop and maintain a process by which health care professionals
2 may request authorization for medically necessary nonformulary prescription
3 drugs. The health care services organization shall approve an alternative
4 prescription drug when either of the following conditions is met:

5 (a) The equivalent prescription drug on the formulary has been
6 ineffective in the treatment of the enrollee's disease or condition.

7 (b) The equivalent prescription drug on the formulary has caused an
8 adverse or harmful reaction in the enrollee.

9 C. If the health care services organization's pharmacy benefit plan
10 does not require authorization, subsection B, paragraph 2 of this section
11 does not apply.

12 D. If the enrollee's treating health care professional makes a
13 determination that the enrollee meets any of the conditions described in
14 subsection B of this section, any denial to cover the nonformulary
15 prescription drug by the health care services organization shall be made in
16 writing by a licensed pharmacist or medical director. The written denial
17 shall contain an explanation of the denial, including the medical or
18 pharmacological reasons why the authorization was denied, and the licensed
19 pharmacist or medical director who made the denial shall sign it. The health
20 care services organization shall send a copy of the written denial to the
21 enrollee's treating health care professional who requested the authorization.
22 The health care services organization shall maintain copies of all written
23 denials and shall make the copies available to the department for inspection
24 during regular business hours.

25 E. Any evidence of coverage that is issued, amended or renewed by a
26 health care services organization and that includes prescription drug
27 benefits shall not limit or exclude coverage for at least sixty days after
28 the health care services organization's notice or the pharmacy's notice
29 pursuant to subsection F of this section to the enrollee, whichever occurs
30 first, for a prescription drug for an enrollee to refill a previously
31 prescribed drug if the prescription drug was previously approved for coverage
32 under the drug formulary or pharmacy benefit plan for the enrollee's medical

1 condition and the health care professional continues to prescribe the
2 prescription drug for the same medical condition. The limitation or
3 exclusion prohibited by this subsection applies if the prescription drug is
4 appropriately prescribed and is considered safe and effective for treating
5 the enrollee's medical condition. This subsection does not prohibit the
6 health care professional from prescribing another prescription drug that is
7 covered by the drug formulary and that is medically appropriate for the
8 enrollee, including generic drug substitutions.

9 F. A health care services organization shall provide written notice of
10 the removal of any prescription drug from the health care services
11 organization's drug formulary to each pharmacy vendor with which the health
12 care services organization has a contract. On notice from the health care
13 services organization, the contracted pharmacy vendor at the point of
14 dispensing a prescription drug that has been removed from the drug formulary
15 shall notify the enrollee by means of a verbal consultation or other direct
16 communication with an enrollee that the enrollee may be required to consult
17 with a health care professional to obtain a new prescription for a
18 replacement drug after the sixty day period prescribed in subsection E of
19 this section. The notice prescribed in this subsection is not required if the
20 pharmacy vendor is a pharmacy that is owned by a health care services
21 organization or a corporate affiliate of that health care services
22 organization.

23 G. This section does not:

24 1. Prohibit a health care services organization from applying
25 deductibles, coinsurance or other cost containment or quality assurance
26 measures.

27 2. Apply to a health care services organization that provides a
28 multitiered benefit plan that allows access to prescription drugs without
29 authorization by the health care services organization.

30 H. For the purposes of this section:

House Amendments to H.B. 2332

1 1. "Health care professional" means a person who has an active
2 nonrestricted license pursuant to title 32 and WHO is authorized to write
3 drug prescriptions to treat medical conditions.

4 2. "Prescription drug" means any prescription medication as defined in
5 section 32-1901 that is prescribed by a health care professional to an
6 enrollee to treat the enrollee's condition.

7 Sec. 2. Repeal

8 Section 20-1076, Arizona Revised Statutes, is repealed."

9 Renumber to conform

10 Amend title to conform

KAREN FANN

2332kf
01/29/2015
4:37 PM
C: mjh

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2332

DATE February 4, 2015 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Ms. McCune Davis		✓			
Ms. Otondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		8	0	0	0

APPROVED:

Karen Fann, Chairman
 KAREN FANN, Chairman
 DAVID LIVINGSTON, Vice-Chairman

Arthur J. ...
 COMMITTEE SECRETARY

ATTACHMENT 14



HOUSE OF REPRESENTATIVES

HB 2335

insurance compliance audit privilege

Sponsors: Representative Fann: Senator Farnsworth D

X Committee on Insurance
Caucus and COW
House Engrossed

OVERVIEW

HB 2335 makes revisions to statute relating to Insurance Compliance Self-Evaluative Privilege and removes the requirement for an insurer to notify The Department of Insurance (DOI) regarding an insurance compliance audit.

HISTORY

Arizona Revised Statutes, Title 20 Chapter 4, governs the Insurance Compliance Self-Evaluative Privilege, which authorizes an insurance compliance self-evaluative audit to be a privileged document provided that the insurance company complies with certain statutory requirements. Additionally, statute outlines the conditions in which the privilege does not apply and provides for a judicial process for determining if the privilege applies to an audit.

Insurance compliance audit is a voluntary, internal evaluation, review, assessment, audit or investigation that follows adopted written standards and criteria for the purpose of identifying or preventing noncompliance with or promoting compliance with laws, regulations, orders or industry or professional standards that is conducted by or on behalf of a company licensed or regulated pursuant to statute.

PROVISIONS

1. Makes various clarifications and revisions to statute governing Insurance Compliance Self-Evaluative Privilege.
2. Removes the requirement for an insurer to notify DOI prior to the initiation, and at the conclusion, of an insurance compliance audit.
3. Removes the term *self-evaluative* when referring to the *insurance compliance audit* document.
4. Maintains that a person who has participated and witnessed the audit may testify to those events, however cannot be compelled to testify on any privileged part of the audit.
5. Preserves that the audit does not prevent the discovery of other evidence that was not developed for the audit.
6. States an insurer must comply with the statutory requirements for an insurance compliance audit in order for it to be considered a privileged document.
7. Clarifies that provisions related to the privilege do not limit certain authority of the director of DOI pursuant to statute.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2335

(Reference to printed bill)

- 1 Page 4, line 27, after "F." strike remainder of line
- 2 Line 28, strike "20-157, 20-157.01, 20-160 and 20-466, within thirty"; insert
- 3 "WITHIN SIXTY"
- 4 Amend title to conform

KAREN FANN

2335-p1-fann
2/3/15
8:33 AM
H:ajs

Adopted # of Verbals _____
Failed _____ Withdrawn _____
Not Offered _____ Analysts Initials _____

ATTACHMENT 16

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2335

DATE February 4, 2015 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Ms. McCune Davis		✓			
Ms. Otondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		8	0	0	0

APPROVED:

Karen Fann
 KAREN FANN, Chairman
David Livingston
 DAVID LIVINGSTON, Vice-Chairman

William Fann
 COMMITTEE SECRETARY

ATTACHMENT 17



HOUSE OF REPRESENTATIVES

HB2347

unemployment insurance; base-period notices

Sponsor: Representative Fann

X Committee on Insurance

Caucus and COW

House Engrossed

OVERVIEW

HB 2347 eliminates the requirement for a notice of claim filing to be sent to a base-period employer, if the employer has been previously notified.

HISTORY

The Department of Economic Security (DES) provides employment programs and services, including unemployment insurance. The Arizona Unemployment Trust Fund (Fund) provides a maximum of \$240 per week, for up to 26 weeks to an unemployed person who meets certain criteria. In order to cover these costs, employers are required to pay unemployment taxes on the first \$7,000 of each employee's wages. The unemployment tax rate varies between 0.02% and 5.40%, depending on the amount of taxes the employer pays, the amount of unemployment benefits paid to the employer's former employees, the size of the employer's payroll, and the solvency of the Fund. Employers with greater numbers of ex-employees receiving, or who have received, unemployment benefits pay at a higher tax rate. Monies received in the Fund are used solely for payment of benefits to unemployed workers. Additionally, employers pay Federal Unemployment Tax Act taxes, which cover the administrative costs of the unemployment insurance program.

After DES issues an unemployment insurance benefit payment to a claimant, DES posts charges to each base-period employer account. Base-period employers include all employers who employed the claimant during the first four of the previous five quarters. Currently, DES sends a notice to the most recent employer when a claim for benefits has been filed. Additionally, DES sends a notice to all base-period employers (which includes the most recent employer) if the claimant is eligible for benefits.

PROVISIONS

1. Specifies that a notice be sent to all base-period employers when the claimant files a payable continued claim, unless previously notified.
2. Requires DES to notify a claimant's most recent employing unit or employer when an initial claim for benefits has been filed.
3. Outlines the contents of the notice.

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2347

DATE February 4, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Ms. McCune Davis		✓			
Ms. Otondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		8	0	0	0

Adrian Fort
COMMITTEE SECRETARY

APPROVED:

Karen Fann
KAREN FANN, Chairman
DAVID LIVINGSTON, Vice-Chairman

ATTACHMENT 19



HOUSE OF REPRESENTATIVES

HB 2350

limited line insurance; examination exemption

Sponsor: Representative Fann

X Committee on Insurance

Caucus and COW

House Engrossed

OVERVIEW

HB 2350 exempts an applicant for an insurance producer license from examination, if the applicant has authority for limited line insurance.

HISTORY

The Arizona Department of Insurance (DOI) is responsible for administering an examination that tests the knowledge of an applicant concerning the lines of authority for which the application is made, the duties and responsibilities of an insurance producer and the insurance laws of the state. The Director of DOI shall make the examination available to applicants for licenses that meet the reasonable convenience of both the director and applicants, but at least every sixty days (Arizona Revised Statutes (A.R.S.) § 20-284).

Pursuant to A.R.S. § 20-288, the following applicants are not required to take an examination: (1) an applicant for a timely renewal of a license; (2) an applicant who held the same type of license with the same lines of authority; (3) an applicant for a limited lines travel insurance producer business entity license or travel retailer working under such license; (4) an applicant for a license as a nonresident insurance producer that meets statutory requirements; (5) an applicant for a rental car agent license; (6) an applicant for a self-service storage agent license; and (7) an applicant who does not license adjusters.

PROVISIONS

1. States applicants for an insurance producer license, who have authority for limited line insurance, are exempt from examination.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2350

DATE February 4, 2015 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Ms. McCune Davis		✓			
Ms. Otondo		✓			
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		8	0	0	0

APPROVED:

Karen Fann, Chairman

KAREN FANN, Chairman
 DAVID LIVINGSTON, Vice-Chairman

David Livingston
 COMMITTEE SECRETARY

ATTACHMENT 21



HOUSE OF REPRESENTATIVES

HB 2568

insurance premium tax reduction

Sponsors: Representatives Livingston, Cobb, Coleman, et al.

-
- X Committee on Insurance
Committee on Appropriations
Caucus and COW
House Engrossed
-

OVERVIEW

HB 2568 reduces the insurance premium tax rate, with the exception of fire insurance premiums and health service and disability insurance premiums.

HISTORY

Pursuant to Arizona Revised Statutes § 20-224, insurers are required to file a report with the Director of Department of Insurance showing total direct premium income including policy membership and other applicable fees. Additionally, insurers must remit a 2% tax on the net premiums; however statute outlines the tax rate for certain types of insurance as follows:

- > Fire Insurance
 - On property located in an incorporated city or town certified by the state fire marshal for obtaining the service of a private fire company, the rate is .66%.
 - On all other fire insurance premiums, the rate is 2.2%
- > Health care service and disability insurance
 - As prescribed by statute, the rate is 2%.

PROVISIONS

1. Maintains the current premium tax rate on fire insurance and health care service and disability insurance.
2. Sets the premium tax rate for disability insurance at 2%.
3. Reduces the insurance premium tax rate for all other insurance as follows:
 - a. 1.99% for Calendar Year (CY) 2016,
 - b. 1.98% for CY 2017,
 - c. 1.95% for CY 2018,
 - d. 1.92% for CY 2019,
 - e. 1.89% for CY 2020,
 - f. 1.86% for CY 2021,
 - g. 1.83% for CY 2022,
 - h. 1.80% for CY 2023,
 - i. 1.77% for CY 2024,
 - j. 1.74% for CY 2025,
 - k. 1.70% for CY 2026 and each CY thereafter.
4. Clarifies what constitutes *fire insurance* with regard to the premium tax and surplus lines tax.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2568

(Reference to printed bill)

- 1 Page 1, line 42, strike "AND DISABILITY INSURANCE" insert "PLANS"
- 2 Amend title to conform

DAVID LIVINGSTON

2568-p1-livingston
2/3/15
8:26 AM
H:ajs

Adopted # of Verbals _____
Failed _____ Withdrawn _____
Not Offered _____ Analysts Initials _____

ATTACHMENT 23

HB 2568
Insurance Premium Tax

Competitiveness Package of 2010 and 2011 did not include Insurance Premium Tax Rate

- 30% reduction in corporate income tax rate and movement to elective 100% sales factor
- Resulting affect on business climate: AZ best in nation for entrepreneurial activity (Kaufman index) and top 10 for business (Chief Executive Magazine)

Insurance Premium Tax Structured differently and significantly Higher

- Most corporations pay tax on **income** – phasing down to **4.9%** after “competitiveness packages” in 2010 and 2011 (premium tax not included in reforms)
- Insurance companies pay tax on **revenue** – **currently 2% but equivalent to 24.6% corporate tax rate** (2014 American Council of Life Insurers State Tax Comparison Study) which is **350%** of the current corporate income tax rate of 6.9%.

Disparity Puts Insurance Companies at a competitive disadvantage

- Lower tax rate gives non-insurance companies an advantage when competing in the marketplace for labor, real property, and other non-industry specific goods and services
- A sound tax taxation system should be broad, fair and equally low for all

Insurance Companies have a disproportionate share of tax burden

- Tax base of non-insurers is significantly larger than insurance companies yet non-insurers generate **\$670 million (approximately 46,000 filers)** annually while insurers generated **\$443 million (approximately 1,800 filers)** (FY 2014). *Please see table on following page*
- **Calculates to tax liability of \$14,500 per corporation and \$246,600 per insurer. A difference of \$232 thousand per filer.**
- Insurers carrying significantly higher tax burden than average Arizona business.

Corporate Income and Premium Tax Comparison

	2016 Forecast*	2015 Forecast*	2014	2013	2012	2011	2010	2009
Corporate Income Tax								
Revenue	\$ 570,866,500.00	\$ 570,375,300.00	\$ 670,414,230.00	\$ 634,801,654.00	\$ 539,206,186.00	\$ 536,264,019.00	\$ 692,397,155.00	\$ 820,633,450.00
Filers	46,348	46,348	46,348	46,887	47,328	48,769	50,538	50,243
Average	\$ 12,316.96	\$ 12,306.36	\$ 14,464.79	\$ 13,538.97	\$ 11,392.96	\$ 10,996.00	\$ 13,700.53	\$ 16,333.29
Premium Tax								
Revenue	\$ 475,600,000.00	\$ 450,600,000.00	\$ 443,184,409.00	\$ 416,060,476.00	\$ 394,000,000.00	\$ 413,000,000.00	\$ 405,000,000.00	\$ 411,000,000.00
Filers	1,797	1,797	1,797	1,811	1,818	1,828	1,841	1,859
Average	\$ 264,663.33	\$ 250,751.25	\$ 246,624.60	\$ 229,740.74	\$ 216,721.67	\$ 225,929.98	\$ 219,989.14	\$ 221,086.61
Difference	\$ 252,346.37	\$ 238,444.89	\$ 232,159.81	\$ 216,201.77	\$ 205,328.71	\$ 214,933.98	\$ 206,288.61	\$ 204,753.32

*FY 15 and 16 filers not listed in JLBC Baseline, amount of filers in 2014 used.

Data pulled from DOI and DOR Annual Reports and JLBC Baseline

AGGREGATE PREMIUM TAX ANALYSIS FOR LIFE, VEHICLE AND OTHER PROPERTY/CASUALTY INSURANCE

(In Millions¹)

	F/Y 2016	F/Y 2017	F/Y 2018	F/Y 2019	F/Y 2020	F/Y 2021	F/Y 2022	F/Y 2023	F/Y 2024	F/Y 2025	F/Y 2026
Premium Tax @ Current Statutory Rates ²	\$180.8	\$182.6	\$184.4	\$186.2	\$188.1	\$190.0	\$191.9	\$193.8	\$195.7	\$197.7	\$199.7
Premium Tax With 0.01% Rate Reduction ³	\$180.8	N/A									
Premium Tax With 0.02% Rate Reduction ³	N/A	\$181.2	N/A								
Premium Tax With 0.05% Rate Reduction ³	N/A	N/A	181.2	N/A							
Premium Tax With 0.08% Rate Reduction ³	N/A	N/A	N/A	\$180.1	N/A						
Premium Tax With 0.11% Rate Reduction ³	N/A	N/A	N/A	N/A	\$179.2	N/A	N/A	N/A	N/A	N/A	N/A
Premium Tax With 0.14% Rate Reduction ³	N/A	N/A	N/A	N/A	N/A	178.2	N/A	N/A	N/A	N/A	N/A
Premium Tax With 0.17% Rate Reduction ³	N/A	N/A	N/A	N/A	N/A	N/A	\$177.1	N/A	N/A	N/A	N/A
Premium Tax With 0.20% Rate Reduction ³	N/A	\$175.9	N/A	N/A	N/A						
Premium Tax With 0.23% Rate Reduction ³	N/A	\$174.7	N/A	N/A							
Premium Tax With 0.26% Rate Reduction ³	N/A	\$173.5	N/A								
Premium Tax With 0.30% Rate Reduction ³	N/A	\$171.7									
Gross Revenue Loss	\$0.0	\$1.4	\$3.2	\$6.1	\$8.9	\$11.8	\$14.8	\$17.9	\$21.0	\$24.2	\$28.0
Retaliatory Tax Offset ⁴	\$(0.0)	\$(0.4)	\$(1.0)	\$(1.8)	\$(2.7)	\$(3.5)	\$(4.4)	\$(5.4)	\$(6.3)	\$(7.3)	\$(8.4)
Net Revenue Loss	\$0.0	\$1.0	\$2.2	\$4.3	\$6.2	\$8.3	\$10.4	\$12.5	\$14.7	\$16.9	\$19.6

¹ All computations are based on an effective date of 1/1/16 to start the premium tax rate phase-down.

² Tax amounts are based on the extrapolation of data provided by the Arizona DOI for prior years.

³ Extrapolated tax amounts discounted for the premium tax rate reduction for that specific year.

⁴ The retaliatory tax offset of 30% is based on the results of 1999 Peter Burns study associated with a very similar legislative initiative.

By Tax Rate (Largest to smallest)

State	Tax Rate*
Oregon	N/A
Hawaii	4.265%
Alabama	3.60%
Nevada	3.50%
New Mexico	3.003%
Mississippi	3.00%
West Virginia	3.00%
Montana	2.75%
Alaska	2.70%
Arkansas	2.50%
South Dakota	2.50%
Tennessee	2.50%
California	2.35%
Massachusetts	2.28%
Georgia	2.25%
Oklahoma	2.25%
Utah	2.25%
Virginia	2.25%
New Jersey	2.10%
Arizona	2.00%
Colorado	2.00%
Delaware	2.00%
Dist. Of Columbia	2.00%
Kansas	2.00%
Kentucky	2.00%
Maine	2.00%
Maryland	2.00%
Minnesota	2.00%
Missouri	2.00%
New York	2.00%
Pennsylvania	2.00%
Rhode Island	2.00%
Vermont	2.00%
Washington	2.00%
North Carolina	1.90%
Connecticut	1.75%
Florida	1.75%
North Dakota	1.75%
Texas	1.60%
Idaho	1.50%
Ohio	1.40%
Indiana	1.30%
Michigan***	1.25%
New Hampshire	1.25%
South Carolina	1.25%
Iowa	1.00%
Nebraska	1.00%
Wyoming	0.75%
Illinois	0.50% #
Wisconsin	Variable †
Louisiana	Variable

By State

State	Tax Rate*
Alabama	3.60%
Alaska	2.70%
Arizona	2.00%
Arkansas	2.50%
California	2.35%
Colorado	2.00%
Connecticut	1.75%
Delaware	2.00%
Dist. Of Columbia	2.00%
Florida	1.75%
Georgia	2.25%
Hawaii	4.265%
Idaho	1.50%
Illinois	0.50% #
Indiana	1.30%
Iowa	1.00%
Kansas	2.00%
Kentucky	2.00%
Louisiana	Variable
Maine	2.00%
Maryland	2.00%
Massachusetts	2.28%
Michigan***	1.25%
Minnesota	2.00%
Mississippi	3.00%
Missouri	2.00%
Montana	2.75%
Nebraska	1.00%
Nevada	3.50%
New Hampshire	1.25%
New Jersey	2.10%
New Mexico	3.003%
New York	2.00%
North Carolina	1.90%
North Dakota	1.75%
Ohio	1.40%
Oklahoma	2.25%
Oregon	N/A
Pennsylvania	2.00%
Rhode Island	2.00%
South Carolina	1.25%
South Dakota	2.50%
Tennessee	2.50%
Texas	1.60%
Utah	2.25%
Vermont	2.00%
Virginia	2.25%
Washington	2.00%
West Virginia	3.00%
Wisconsin	Variable †
Wyoming	0.75%

* = The premium tax rates listed are for property and casualty business in general. The rate does not include additional/special rates on certain lines of business.

** = The franchise/income/excise tax for some states is applicable only to domestics and may include other employment-based taxes.

*** = Although Michigan's Tax is not labeled as a "premium tax", it is based on gross direct premium written on property or risks located or residing in the state.

= For foreign insurers, the Illinois income tax rate may be reduced (but not increased) to equal the tax amount that would be imposed on the foreign insurer's allocated Illinois income at the foreign insurer's home state income tax rate. If no income tax rates is imposed by the foreign insurer's state of domicile, then the rate of 0% should be used in calculating the total Illinois tax. However, the actual reduction amount may not reduce the sum of the Illinois income tax, privilege tax, fire insurance company tax and fire department tax below 1.75% of net taxable premium written for the taxable year.

† = Fire: 2.375% (includes Fire Department Tax of 2.00%); Ocean Marine: 0.50%; Surety/Casualty: 2.00%

AGGREGATE PREMIUM TAX ANALYSIS FOR LIFE, VEHICLE AND OTHER PROPERTY/CASUALTY INSURANCE

(In Millions)

Premium Tax Rate	Premium Tax Revenue	Increased Retaliatory Taxes	Total Premium/Retaliatory Tax Revenue	Fiscal Year
Premium Tax @ 1.99%	\$187.9	\$0.0	\$187.9	FY 2016
Premium Tax @ 1.98%	\$196.3	\$0.3	\$196.6	FY 2017
Premium Tax @ 1.95%	\$205.1	\$0.7	\$205.8	FY 2018
Premium Tax @ 1.92%	\$212.1	\$1.6	\$213.7	FY 2019
Premium Tax @ 1.89%	\$219.3	\$2.7	\$222.0	FY 2020
Premium Tax @ 1.86%	\$226.7	\$4.0	\$230.7	FY 2021
Premium Tax @ 1.83%	\$234.3	\$5.3	\$239.6	FY 2022
Premium Tax @ 1.80%	\$242.0	\$6.8	\$248.8	FY 2023
Premium Tax @ 1.77%	\$249.9	\$8.3	\$258.2	FY 2024
Premium Tax @ 1.74%	\$258.0	\$10.1	\$269.1	FY 2025
Premium Tax @ 1.70%	\$266.3	\$11.9	\$278.2	FY 2026

Footnotes:

- 1 All computations assume an effective date of 1/1/16 to start the premium tax rate phase-down.
- 2 Premium tax revenues are an extrapolation of amounts provided by the Arizona DOI for FY 2013 assuming an annual premium growth rate of 5% and using the applicable phased down premium tax rate for each year.
- 3 The retaliatory tax offset of 30% is based on the results of 1999 Peter Burns study associated with a very similar legislative initiative.

ARIZONA PREMIUM TAX RATE REDUCTION INITIATIVE

Issue:

Since the mid-1980s, nearly 20 states have reduced their insurance premium tax rates below 2%. In contrast to that national trend, in 1988 Arizona instead **raised** its insurance premium tax rate from 1.7% to 2%. That 2% rate is now well above the rates imposed by states that have been attracting insurance company jobs and investment, such as Iowa (1%) and Nebraska (1%). Given the increased competition among states in this arena, as well as the fierce competition among insurers, banks, broker-dealers and other financial services providers, it would be both logical and astute to include the insurance industry in Arizona's important initiative to become more business friendly.

Talking Points:

- 1) A 10 year phased-in rate reduction eliminates any loss of revenue for Arizona as compared to the current premium tax revenue stream. The rate reduction will be offset by annual premium tax revenue growth.
- 2) It is consistent with the strategy of reducing business tax burdens in order to stimulate job growth and investment.
- 3) A premium tax rate reduction would close the gap between Arizona and states with more competitive premium tax rates. It would also close the gap between insurance companies and their non-insurance competitors that instead pay far less burdensome corporate net income taxes.
- 4) A 2014 Ernst and Young- ACLLI report showed that Arizona's 2% premium tax rate converts to a 24.6 % corporate income tax rate.
- 5) The attached chart shows the revenue impact over the 10 year phase in period.

AGGREGATE PREMIUM TAX ANALYSIS FOR LIFE, VEHICLE AND OTHER PROPERTY/CASUALTY INSURANCE

(In Millions¹)

	F/Y 2016	F/Y 2017	F/Y 2018	F/Y 2019	F/Y 2020	F/Y 2021	F/Y 2022	F/Y 2023	F/Y 2024	F/Y 2025	F/Y 2026
Premium Tax @ Current Statutory Rates ²	\$180.8	\$182.6	\$184.4	\$186.2	\$188.1	\$190.0	\$191.9	\$193.8	\$195.7	\$197.7	\$199.7
Premium Tax With 0.01% Rate Reduction ³	\$180.8	N/A									
Premium Tax With 0.02% Rate Reduction ³	N/A	\$181.2	N/A								
Premium Tax With 0.05% Rate Reduction ³	N/A	N/A	181.2	N/A							
Premium Tax With 0.08% Rate Reduction ³	N/A	N/A	N/A	\$180.1	N/A						
Premium Tax With 0.11% Rate Reduction ³	N/A	N/A	N/A	N/A	\$179.2	N/A	N/A	N/A	N/A	N/A	N/A
Premium Tax With 0.14% Rate Reduction ³	N/A	N/A	N/A	N/A	N/A	178.2	N/A	N/A	N/A	N/A	N/A
Premium Tax With 0.17% Rate Reduction ³	N/A	N/A	N/A	N/A	N/A	N/A	\$177.1	N/A	N/A	N/A	N/A
Premium Tax With 0.20% Rate Reduction ³	N/A	\$175.9	N/A	N/A	N/A						
Premium Tax With 0.23% Rate Reduction ³	N/A	\$174.7	N/A	N/A							
Premium Tax With 0.26% Rate Reduction ³	N/A	\$173.5	N/A								
Premium Tax With 0.30% Rate Reduction ³	N/A	\$171.7									
Gross Revenue Loss	\$0.0	\$1.4	\$3.2	\$6.1	\$8.9	\$11.8	\$14.8	\$17.9	\$21.0	\$24.2	\$28.0
Retaliatory Tax Offset ⁴	\$(0.0)	\$(0.4)	\$(1.0)	\$(1.8)	\$(2.7)	\$(3.5)	\$(4.4)	\$(5.4)	\$(6.3)	\$(7.3)	\$(8.4)
Net Revenue Loss	\$0.0	\$1.0	\$2.2	\$4.3	\$6.2	\$8.3	\$10.4	\$12.5	\$14.7	\$16.9	\$19.6

¹ All computations are based on an effective date of 1/1/16 to start the premium tax rate phase-down.

² Tax amounts are based on the extrapolation of data provided by the Arizona DOI for prior years.

³ Extrapolated tax amounts discounted for the premium tax rate reduction for that specific year.

⁴ The retaliatory tax offset of 30% is based on the results of 1999 Peter Burns study associated with a very similar legislative initiative.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. HB 2568

DATE February 4, 2015 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		✓			
Mr. Larkin		✓			
Mr. Lovas		✓			
Ms. McCune Davis					✓
Ms. Otondo	✓		✓		
Mr. Robson		✓			
Mr. Livingston, Vice-Chairman		✓			
Ms. Fann, Chairman		✓			
		6	1	0	1

APPROVED:

Karen Fann, Chairman

KAREN FANN, Chairman
 DAVID LIVINGSTON, Vice-Chairman

David Livingston

COMMITTEE SECRETARY

ATTACHMENT 26