

State of Arizona  
Senate  
Fifty-fourth Legislature  
First Regular Session  
2019

# SENATE BILL 1006

AN ACT

AMENDING SECTION 20-481, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-481.33; RELATING TO INSURANCE HOLDING COMPANY SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 20-481, Arizona Revised Statutes, is amended to  
3 read:

4 20-481. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Affiliate" or person "affiliated" with a specific person means  
7 a person that directly, or indirectly through one or more intermediaries,  
8 controls, is controlled by or is under common control with the person  
9 specified.

10 2. "Continuing proxies" means proxies that are valid for more than  
11 one annual or special meeting of security holders and any adjournments  
12 thereof.

13 3. "Control" and "controlling" means the possession, direct or  
14 indirect, of the power to direct or cause the direction of the management  
15 and policies of a person, whether through the ownership of voting  
16 securities, by contract other than a commercial contract for goods or  
17 nonmanagement services, or otherwise, unless the power is the result of an  
18 official position with or corporate office held by the person. Control  
19 shall be presumed to exist if any person, directly or indirectly, owns,  
20 controls, holds with the power to vote or holds proxies representing ten  
21 per cent or more of the voting securities of any other person. This  
22 presumption may be rebutted by a showing made in the manner provided by  
23 section 20-481.18 that control does not exist in fact. The director may  
24 determine, after furnishing all persons in interest notice and opportunity  
25 to be heard and making specific findings of fact to support such  
26 determination, that control exists in fact, notwithstanding the absence of  
27 a presumption to that effect.

28 4. "Enterprise risk" means any activity, circumstance, event or  
29 series of events involving one or more affiliates of an insurer that if  
30 not remedied promptly is likely to have a material adverse effect on the  
31 financial condition or liquidity of the insurer or its insurance holding  
32 company system as a whole, including causing the insurer's risk-based  
33 capital to decrease to or below a company action level under section  
34 20-488.02, or would cause an insurer to be in hazardous financial  
35 condition pursuant to section 20-220.01.

36 5. "GROUP-WIDE SUPERVISOR" MEANS THE REGULATORY OFFICIAL WHO IS  
37 AUTHORIZED TO ENGAGE IN CONDUCTING AND COORDINATING GROUP-WIDE SUPERVISION  
38 ACTIVITIES AND WHO IS DETERMINED OR ACKNOWLEDGED BY THE DIRECTOR PURSUANT  
39 TO SECTION 20-481.33 TO HAVE SUFFICIENT SIGNIFICANT CONTACTS WITH THE  
40 INTERNATIONALLY ACTIVE INSURANCE GROUP.

41 ~~5.~~ 6. "Insurance holding company system" means two or more  
42 affiliated persons, one or more of whom is an insurer.

43 ~~6.~~ 7. "Insurer" means every person engaged in the business of  
44 making contracts of insurance except:

1 (a) Agencies, authorities or instrumentalities of the United  
2 States, its possessions and territories, the Commonwealth of Puerto Rico,  
3 the District of Columbia or a state or political subdivision of a state.

4 (b) Nonprofit medical and hospital service associations.

5 (c) Credit life and disability reinsurers as defined in section  
6 20-1082 that are not affiliated with another insurer as defined in section  
7 20-104.

8 8. "INTERNATIONALLY ACTIVE INSURANCE GROUP" MEANS AN INSURANCE  
9 HOLDING COMPANY SYSTEM THAT INCLUDES AN INSURER REGISTERED PURSUANT TO  
10 SECTION 20-481.09 AND THAT MEETS THE FOLLOWING CRITERIA:

11 (a) HAS PREMIUMS WRITTEN IN AT LEAST THREE COUNTRIES.

12 (b) THE PERCENTAGE OF GROSS PREMIUMS WRITTEN OUTSIDE THE UNITED  
13 STATES IS AT LEAST TEN PERCENT OF THE INSURANCE HOLDING COMPANY SYSTEM'S  
14 TOTAL GROSS WRITTEN PREMIUMS.

15 (c) BASED ON A THREE-YEAR ROLLING AVERAGE, THE TOTAL ASSETS OF THE  
16 INSURANCE HOLDING COMPANY SYSTEM ARE AT LEAST \$50,000,000,000, OR THE  
17 TOTAL GROSS WRITTEN PREMIUMS OF THE INSURANCE HOLDING COMPANY SYSTEM ARE  
18 AT LEAST \$10,000,000,000.

19 ~~7.~~ 9. "Person" means an individual, a corporation, a partnership,  
20 an association, a joint stock company, a trust, an unincorporated  
21 organization and any similar entity or any combination of the foregoing  
22 acting in concert but does not include any joint venture partnership  
23 exclusively engaged in owning, managing, leasing or developing real or  
24 tangible personal property.

25 ~~8.~~ 10. "Security holder of a specified person" means a person who  
26 owns any security of such person, including common stock, preferred stock,  
27 debt obligations, and any other security convertible into or evidencing  
28 the right to acquire any of the foregoing.

29 ~~9.~~ 11. "Subsidiary of a specified person" means an affiliate  
30 controlled by such person directly or indirectly through one or more  
31 intermediaries.

32 ~~10.~~ 12. "Supervisory college" means a temporary or permanent forum  
33 for communication and cooperation between regulators charged with the  
34 supervision of entities that belong to an insurance holding company system  
35 that has international operations.

36 ~~11.~~ 13. "Voting security" means a security that carries with it a  
37 right to vote in decisions and also includes securities that are  
38 convertible into or evidence a right to acquire a security that includes  
39 such right to vote.

40 Sec. 2. Title 20, chapter 2, article 8, Arizona Revised Statutes,  
41 is amended by adding section 20-481.33, to read:

42 20-481.33. Director's authorization; group-wide supervision;  
43 internationally active insurance groups

44 A. THE DIRECTOR MAY ACT AS THE GROUP-WIDE SUPERVISOR FOR ANY  
45 INTERNATIONALLY ACTIVE INSURANCE GROUP IN ACCORDANCE WITH THIS SECTION.

1 HOWEVER, THE DIRECTOR MAY OTHERWISE ACKNOWLEDGE ANOTHER REGULATORY  
2 OFFICIAL AS THE GROUP-WIDE SUPERVISOR WHERE THE INTERNATIONALLY ACTIVE  
3 INSURANCE GROUP:

4 1. DOES NOT HAVE SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED  
5 STATES.

6 2. HAS SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED STATES BUT  
7 NOT IN THIS STATE.

8 3. HAS SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED STATES AND  
9 THIS STATE, BUT THE DIRECTOR HAS DETERMINED PURSUANT TO THE FACTORS SET  
10 FORTH IN SUBSECTIONS C AND H OF THIS SECTION THAT THE OTHER REGULATORY  
11 OFFICIAL IS THE APPROPRIATE GROUP-WIDE SUPERVISOR.

12 B. AN INSURANCE HOLDING COMPANY SYSTEM THAT DOES NOT OTHERWISE  
13 QUALIFY AS AN INTERNATIONALLY ACTIVE INSURANCE GROUP MAY REQUEST THAT THE  
14 DIRECTOR MAKE A DETERMINATION OR ACKNOWLEDGMENT AS TO A GROUP-WIDE  
15 SUPERVISOR PURSUANT TO THIS SECTION.

16 C. IN COOPERATION WITH ANY OTHER STATE, FEDERAL AND INTERNATIONAL  
17 REGULATORY AGENCY, THE DIRECTOR SHALL IDENTIFY A SINGLE GROUP-WIDE  
18 SUPERVISOR FOR AN INTERNATIONALLY ACTIVE INSURANCE GROUP. THE DIRECTOR  
19 MAY DETERMINE THAT THE DIRECTOR IS THE APPROPRIATE GROUP-WIDE SUPERVISOR  
20 FOR AN INTERNATIONALLY ACTIVE INSURANCE GROUP THAT CONDUCTS SUBSTANTIAL  
21 INSURANCE OPERATIONS CONCENTRATED IN THIS STATE. HOWEVER, THE DIRECTOR  
22 MAY ACKNOWLEDGE THAT A REGULATORY OFFICIAL FROM ANOTHER JURISDICTION IS  
23 THE APPROPRIATE GROUP-WIDE SUPERVISOR FOR THE INTERNATIONALLY ACTIVE  
24 INSURANCE GROUP. THE DIRECTOR SHALL CONSIDER THE FOLLOWING FACTORS WHEN  
25 MAKING A DETERMINATION OR ACKNOWLEDGMENT UNDER THIS SUBSECTION:

26 1. THE DOMICILE OF THE INSURERS WITHIN THE INTERNATIONALLY ACTIVE  
27 INSURANCE GROUP THAT HOLD THE LARGEST SHARE OF THE GROUP'S WRITTEN  
28 PREMIUMS, ASSETS OR LIABILITIES.

29 2. THE DOMICILE OF THE TOP-TIERED INSURERS IN THE INSURANCE HOLDING  
30 COMPANY SYSTEM OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP.

31 3. THE LOCATION OF THE EXECUTIVE OFFICES OR LARGEST OPERATIONAL  
32 OFFICES OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP.

33 4. WHETHER ANOTHER REGULATORY OFFICIAL IS ACTING OR IS SEEKING TO  
34 ACT AS THE GROUP-WIDE SUPERVISOR UNDER A REGULATORY SYSTEM THAT THE  
35 DIRECTOR DETERMINES TO BE EITHER:

36 (a) SUBSTANTIALLY SIMILAR TO THE SYSTEM OF REGULATION PROVIDED  
37 UNDER THE LAWS OF THIS STATE.

38 (b) OTHERWISE SUFFICIENT IN TERMS OF PROVIDING FOR GROUP-WIDE  
39 SUPERVISION, ENTERPRISE RISK ANALYSIS AND COOPERATION WITH OTHER  
40 REGULATORY OFFICIALS.

41 5. WHETHER ANOTHER REGULATORY OFFICIAL ACTING OR SEEKING TO ACT AS  
42 THE GROUP-WIDE SUPERVISOR PROVIDES THE DIRECTOR WITH REASONABLY RECIPROCAL  
43 RECOGNITION AND COOPERATION.

1 D. A CHIEF REGULATORY OFFICIAL IDENTIFIED UNDER THIS SECTION AS THE  
2 GROUP-WIDE SUPERVISOR MAY DETERMINE THAT IT IS APPROPRIATE TO ACKNOWLEDGE  
3 ANOTHER SUPERVISOR TO SERVE AS THE GROUP-WIDE SUPERVISOR. THE  
4 ACKNOWLEDGMENT OF THE GROUP-WIDE SUPERVISOR SHALL BE MADE AFTER  
5 CONSIDERATION OF THE FACTORS LISTED IN SUBSECTION C OF THIS SECTION, IN  
6 COOPERATION WITH AND SUBJECT TO THE ACKNOWLEDGMENT OF OTHER REGULATORY  
7 OFFICIALS INVOLVED WITH SUPERVISION OF MEMBERS OF THE INTERNATIONALLY  
8 ACTIVE INSURANCE GROUP AND IN CONSULTATION WITH THE INTERNATIONALLY ACTIVE  
9 INSURANCE GROUP.

10 E. NOTWITHSTANDING ANY OTHER LAW, IF ANOTHER REGULATORY OFFICIAL IS  
11 ACTING AS THE GROUP-WIDE SUPERVISOR OF AN INTERNATIONALLY ACTIVE INSURANCE  
12 GROUP, THE DIRECTOR SHALL ACKNOWLEDGE THAT REGULATORY OFFICIAL AS THE  
13 GROUP-WIDE SUPERVISOR. IF A MATERIAL CHANGE IN THE INTERNATIONALLY ACTIVE  
14 INSURANCE GROUP RESULTS IN EITHER OF THE FOLLOWING, THE DIRECTOR SHALL  
15 MAKE A DETERMINATION OR ACKNOWLEDGMENT AS TO THE APPROPRIATE GROUP-WIDE  
16 SUPERVISOR FOR SUCH AN INTERNATIONALLY ACTIVE INSURANCE GROUP PURSUANT TO  
17 SUBSECTION C OF THIS SECTION:

18 1. THE INTERNATIONALLY ACTIVE INSURANCE GROUP'S INSURERS DOMICILED  
19 IN THIS STATE HOLDING THE LARGEST SHARE OF THE GROUP'S PREMIUMS, ASSETS OR  
20 LIABILITIES.

21 2. THIS STATE BEING THE DOMICILE OF THE TOP-TIERED INSURERS IN THE  
22 INSURANCE HOLDING COMPANY SYSTEM OF THE INTERNATIONALLY ACTIVE INSURANCE  
23 GROUP.

24 F. PURSUANT TO SECTION 20-481.20, THE DIRECTOR MAY COLLECT FROM ANY  
25 INSURER REGISTERED PURSUANT TO SECTION 20-481.09 ALL INFORMATION NECESSARY  
26 TO DETERMINE WHETHER THE DIRECTOR MAY ACT AS THE GROUP-WIDE SUPERVISOR OF  
27 AN INTERNATIONALLY ACTIVE INSURANCE GROUP OR WHETHER THE DIRECTOR MAY  
28 ACKNOWLEDGE ANOTHER REGULATORY OFFICIAL TO ACT AS THE GROUP-WIDE  
29 SUPERVISOR. BEFORE ISSUING A DETERMINATION THAT AN INTERNATIONALLY ACTIVE  
30 INSURANCE GROUP IS SUBJECT TO GROUP-WIDE SUPERVISION BY THE DIRECTOR, THE  
31 DIRECTOR SHALL NOTIFY THE INSURER REGISTERED PURSUANT TO SECTION 20-481.09  
32 AND THE ULTIMATE CONTROLLING PERSON WITHIN THE INTERNATIONALLY ACTIVE  
33 INSURANCE GROUP. THE INTERNATIONALLY ACTIVE INSURANCE GROUP HAS AT LEAST  
34 THIRTY DAYS TO PROVIDE THE DIRECTOR WITH ADDITIONAL INFORMATION PERTINENT  
35 TO THE PENDING DETERMINATION. THE DIRECTOR SHALL PUBLISH ON THE  
36 DEPARTMENT'S OFFICIAL WEBSITE THE IDENTITY OF INTERNATIONALLY ACTIVE  
37 INSURANCE GROUPS THAT THE DIRECTOR HAS DETERMINED ARE SUBJECT TO  
38 GROUP-WIDE SUPERVISION BY THE DIRECTOR.

39 G. IF THE DIRECTOR IS THE GROUP-WIDE SUPERVISOR FOR AN  
40 INTERNATIONALLY ACTIVE INSURANCE GROUP, THE DIRECTOR MAY ENGAGE IN ANY OF  
41 THE FOLLOWING GROUP-WIDE SUPERVISION ACTIVITIES:

42 1. ASSESSING THE ENTERPRISE RISKS WITHIN THE INTERNATIONALLY ACTIVE  
43 INSURANCE GROUP TO ENSURE THAT:

1 (a) THE MATERIAL FINANCIAL CONDITION AND LIQUIDITY RISKS TO THE  
2 MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT ARE ENGAGED IN  
3 THE BUSINESS OF INSURANCE ARE IDENTIFIED BY MANAGEMENT.

4 (b) REASONABLE AND EFFECTIVE MITIGATION MEASURES ARE IN PLACE.

5 2. REQUESTING FROM ANY MEMBER OF AN INTERNATIONALLY ACTIVE  
6 INSURANCE GROUP SUBJECT TO THE DIRECTOR'S SUPERVISION INFORMATION  
7 NECESSARY AND APPROPRIATE TO ASSESS ENTERPRISE RISK, INCLUDING INFORMATION  
8 ABOUT THE MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP REGARDING:

9 (a) GOVERNANCE, RISK ASSESSMENT AND MANAGEMENT.

10 (b) CAPITAL ADEQUACY.

11 (c) MATERIAL INTERCOMPANY TRANSACTIONS.

12 3. COORDINATING AND, THROUGH THE AUTHORITY OF THE REGULATORY  
13 OFFICIALS OF THE JURISDICTIONS WHERE MEMBERS OF THE INTERNATIONALLY ACTIVE  
14 INSURANCE GROUP ARE DOMICILED, COMPELLING DEVELOPMENT AND IMPLEMENTATION  
15 OF REASONABLE MEASURES DESIGNED TO ENSURE THAT THE INTERNATIONALLY ACTIVE  
16 INSURANCE GROUP IS ABLE TO TIMELY RECOGNIZE AND MITIGATE ENTERPRISE RISKS  
17 TO MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT ARE ENGAGED  
18 IN THE BUSINESS OF INSURANCE.

19 4. COMMUNICATING WITH ANY OTHER STATE, FEDERAL AND INTERNATIONAL  
20 REGULATORY AGENCY FOR MEMBERS WITHIN THE INTERNATIONALLY ACTIVE INSURANCE  
21 GROUP AND SHARE RELEVANT INFORMATION SUBJECT TO THE CONFIDENTIALITY  
22 PROVISIONS OF SECTION 20-481.21, THROUGH SUPERVISORY COLLEGES AS SET FORTH  
23 IN SECTION 20-481.31 OR OTHERWISE.

24 5. ENTERING INTO AGREEMENTS WITH OR OBTAINING DOCUMENTATION FROM  
25 ANY INSURER REGISTERED UNDER SECTION 20-481.09, ANY MEMBER OF THE  
26 INTERNATIONALLY ACTIVE INSURANCE GROUP AND ANY OTHER STATE, FEDERAL AND  
27 INTERNATIONAL REGULATORY AGENCY FOR MEMBERS OF THE INTERNATIONALLY ACTIVE  
28 INSURANCE GROUP THAT PROVIDE THE BASIS FOR OR THAT OTHERWISE CLARIFY THE  
29 DIRECTOR'S ROLE AS GROUP-WIDE SUPERVISOR, INCLUDING PROVISIONS FOR  
30 RESOLVING DISPUTES WITH OTHER REGULATORY OFFICIALS. THE AGREEMENTS OR  
31 DOCUMENTATION MAY NOT SERVE AS EVIDENCE IN ANY PROCEEDING THAT ANY INSURER  
32 OR PERSON WITHIN AN INSURANCE HOLDING COMPANY SYSTEM THAT IS NOT DOMICILED  
33 OR INCORPORATED IN THIS STATE IS DOING BUSINESS IN THIS STATE OR IS  
34 OTHERWISE SUBJECT TO JURISDICTION IN THIS STATE.

35 6. OTHER GROUP-WIDE SUPERVISION ACTIVITIES, CONSISTENT WITH THE  
36 AUTHORITIES AND PURPOSES ENUMERATED IN THIS SUBSECTION, AS CONSIDERED  
37 NECESSARY BY THE DIRECTOR.

38 H. IF THE DIRECTOR ACKNOWLEDGES THAT ANOTHER REGULATORY OFFICIAL  
39 FROM A JURISDICTION THAT IS NOT ACCREDITED BY THE NATIONAL ASSOCIATION OF  
40 INSURANCE COMMISSIONERS IS THE GROUP-WIDE SUPERVISOR, THE DIRECTOR MAY  
41 REASONABLY COOPERATE, THROUGH SUPERVISORY COLLEGES OR OTHERWISE, WITH  
42 GROUP-WIDE SUPERVISION UNDERTAKEN BY THE GROUP-WIDE SUPERVISOR, IF BOTH:

43 1. THE DIRECTOR'S COOPERATION COMPLIES WITH THE LAWS OF THIS STATE.

44 2. THE REGULATORY OFFICIAL ACKNOWLEDGED AS THE GROUP-WIDE  
45 SUPERVISOR ALSO RECOGNIZES AND COOPERATES WITH THE DIRECTOR'S ACTIVITIES

1 AS A GROUP-WIDE SUPERVISOR FOR OTHER INTERNATIONALLY ACTIVE INSURANCE  
2 GROUPS WHERE APPLICABLE. IF SUCH RECOGNITION AND COOPERATION IS NOT  
3 REASONABLY RECIPROCAL, THE DIRECTOR MAY REFUSE RECOGNITION AND  
4 COOPERATION.

5 I. THE DIRECTOR MAY ENTER INTO AGREEMENTS WITH OR OBTAIN  
6 DOCUMENTATION FROM ANY INSURER REGISTERED UNDER SECTION 20-481.09, ANY  
7 AFFILIATE OF THE INSURER AND ANY OTHER STATE, FEDERAL AND INTERNATIONAL  
8 REGULATORY AGENCY FOR MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE  
9 GROUP THAT PROVIDE THE BASIS FOR OR OTHERWISE CLARIFY A REGULATORY  
10 OFFICIAL'S ROLE AS GROUP-WIDE SUPERVISOR.

11 J. THE DIRECTOR MAY ADOPT RULES NECESSARY FOR THE ADMINISTRATION OF  
12 THIS SECTION.