State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

CHAPTER 65

SENATE BILL 1062

AN ACT

AMENDING SECTION 20-450, ARIZONA REVISED STATUTES; RELATING TO THE TRANSACTION OF INSURANCE BUSINESS.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-450, Arizona Revised Statutes, is amended to read:

20-450. Practices not prohibited as discrimination or rebates in life and disability insurance; wellness programs; definition

A. Section 20-448 or 20-449 does not include within the definition of discrimination or rebates any of the following practices:

1. In the case of any contract of life insurance or life annuity, paying bonuses to policyholders or otherwise abating their premiums in whole or part out of surplus accumulated from nonparticipating insurance, but any such bonuses or abatement of premiums shall be fair and equitable to policyholders and for the best interests of the insurer and its policyholders.

2. In the case of life insurance policies issued on the industrial debit plan, making allowance to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer in an amount that fairly represents the saving in collection expense.

3. Readjustment of the rate of premium for a group insurance policy based on the loss or expense experience thereunder, at the end of the first or any subsequent policy year of insurance thereunder, which may be made retroactive only for that policy year.

4. Issuing life or disability policies on a salary savings or payroll deduction plan at a reduced rate commensurate with the savings made by the use of the plan.

5. PAYMENTS OF IMPLEMENTATION CREDITS A LIFE INSURER MAKES TO OFFSET EXPENSES THAT A GROUP POLICYHOLDER INCURS WHEN THE LIFE INSURER INITIATES, CHANGES OR ADMINISTERS NEW OR EXISTING GROUP COVERAGE. THE LIFE INSURER MAY EITHER:

(a) INCLUDE IMPLEMENTATION CREDITS IN THE PREMIUM CHARGED A POLICYHOLDER AND THEN REIMBURSE THE POLICYHOLDER.

(b) PAY FOR THE IMPLEMENTATION CREDITS AND PROVIDE APPROPRIATE DISCLOSURE IN THE GROUP POLICY.

B. Sections 20-448 and 20-452 do not prohibit any person from providing or offering to provide:

1. In the case of group disability insurance, rewards or incentives under a wellness program that satisfies the requirements for an exception from the general prohibition against discrimination based on a health factor under the health insurance portability and accountability act of 1996 (P.L. 104-191; 110 Stat. 1936), including any federal regulations that are adopted pursuant to that act.
2. In the case of individual disability insurance, rewards or incentives under a wellness program that satisfies the equivalent of the requirements for an exception from the general prohibition against discrimination based on a health factor under the health insurance portability and accountability act of 1996 (P.L. 104-191; 110 Stat. 1936), including any federal regulations that are adopted pursuant to that act.

3. Products or services that are ancillary or related to any policy of life or disability insurance and that are intended to minimize or prevent claims-related losses or expenses, to deter injury or death or to improve the health OR ENHANCE THE FINANCIAL WELLNESS of the insured.

4. PAYMENTS OF IMPLEMENTATION CREDITS A LIFE INSURER MAKES TO OFFSET EXPENSES THAT A GROUP POLICYHOLDER OR EMPLOYER INCURS WHEN THE LIFE INSURER INITIATES, CHANGES OR ADMINISTERS NEW OR EXISTING GROUP COVERAGE. THE LIFE INSURER MAY EITHER:

(a) INCLUDE IMPLEMENTATION CREDITS IN THE PREMIUM CHARGED A POLICYHOLDER AND THEN REIMBURSE THE POLICYHOLDER. THE LIFE INSURER SHALL DISCLOSE TO THE POLICYHOLDER WHETHER IMPLEMENTATION CREDITS WERE INCLUDED IN THE PREMIUM.

(b) PAY FOR THE IMPLEMENTATION CREDITS AND PROVIDE APPROPRIATE DISCLOSURE IN THE GROUP POLICY.

C. FOR THE PURPOSES OF THIS SECTION, "LIFE INSURANCE" INCLUDES DISABILITY INCOME POLICIES AND SUPPLEMENTAL BENEFIT POLICIES.