

Senate Engrossed House Bill

DIFI; financial enterprises; insurance; compact

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2054

AN ACT

AMENDING SECTIONS 6-604, 6-707, 6-815, 6-1203, 6-1305 AND 20-108.01, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 20-123 AND 20-127; REPEALING SECTIONS 20-123 AND 20-127, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING SECTIONS 20-211 AND 20-235, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-269; AMENDING SECTIONS 20-2414, 20-2510, 20-2904, 20-3251 AND 44-282, ARIZONA REVISED STATUTES; RELATING TO THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 6-604, Arizona Revised Statutes, is amended to
3 read:

4 6-604. Issuance of license; license year; renewal; expiration;
5 requirements

6 A. If the deputy director finds no grounds for denial of a license,
7 within one hundred twenty days after receiving a complete application, the
8 deputy director shall grant the application and issue a license to the
9 applicant.

10 B. The license year for a licensee begins on ~~July~~ JANUARY 1 and ends on
11 ~~June 30~~ DECEMBER 31 of each year. A license that is issued pursuant to this
12 chapter remains active until the license expires or the director suspends,
13 revokes or terminates the license.

14 C. A licensee shall apply for renewal as prescribed by the deputy
15 director and pay the renewal fee prescribed in section 6-126 not later than
16 ~~June 30~~ DECEMBER 31 of each year. For each day after ~~June 30~~ DECEMBER 31 that
17 the renewal application is not received by the deputy director, the applicant
18 shall pay a \$25 late fee in addition to the fee prescribed in section 6-126.
19 If the deputy director does not receive the licensee's renewal application and
20 fee on or before ~~June 30~~ DECEMBER 31, the licensee may not act as a consumer
21 lender until the license is renewed or a new license is issued pursuant to
22 this article. If the deputy director does not receive the licensee's renewal
23 application and fee on or before ~~July~~ JANUARY 31, the license automatically
24 expires. The holder of an expired license may not be issued a renewal license
25 but may be issued a new license as provided in this article.

26 D. A license remains the property of this state. On termination at the
27 request of the licensee or revocation by the deputy director, the licensee
28 shall immediately deliver the license to the deputy director. Termination of
29 the license does not affect any other liability of the licensee.

30 E. The licensee shall designate the principal location of the licensed
31 office within or outside this state. If a licensee wishes to maintain more
32 than one office location the licensee shall first obtain a branch office
33 license for each branch office from the deputy director. The licensee shall
34 submit an application in the form prescribed by the deputy director and pay
35 the fee prescribed in section 6-126 for each branch office license. If the
36 deputy director determines that the applicant is qualified, the deputy
37 director shall issue a branch office license indicating the address of the
38 branch office.

39 F. A licensee shall prominently display the consumer lender license in
40 the office of the consumer lender and any branch office license in that branch
41 office.

42 Sec. 2. Section 6-707, Arizona Revised Statutes, is amended to read:

43 6-707. Issuance of license; display; renewal

44 A. On the filing of the application and the payment of the fees and the
45 approval of the bond, or bonds, the deputy director shall investigate the

1 facts, and if the deputy director finds that the financial responsibility and
2 experience of the applicant are such as to command the confidence of the
3 community to warrant belief that the business will be operated fairly and
4 honestly and within the purposes of this article, the deputy director shall
5 issue the applicant a license to do business as a debt management company.

6 B. The license shall be kept conspicuously posted in the business
7 office of the licensee. The license is not transferable or assignable.

8 C. Licenses expire on ~~June 30~~ DECEMBER 31 following the date of the
9 issuance unless sooner surrendered, revoked or suspended but may be renewed by
10 filing an application with the deputy director on or before ~~June 30~~ DECEMBER
11 31 each year. The application for renewal shall be in the form prescribed by
12 the deputy director and shall be accompanied by the fee prescribed in section
13 6-126. A separate application shall be made for each initial license of a
14 principal place of business, agency or branch office.

15 Sec. 3. Section 6-815, Arizona Revised Statutes, is amended to read:

16 6-815. Renewal of license

17 A licensee shall make application for renewal as prescribed by the
18 deputy director and pay the renewal fee prescribed in section 6-126 not later
19 than ~~September 30~~ DECEMBER 31 of each year. For each day after ~~September 30~~
20 DECEMBER 31 that the renewal application is not received by the deputy
21 director the applicant shall pay \$25 in addition to the fee prescribed by
22 section 6-126. Licenses for which renewal applications are not received by
23 the deputy director by ~~September 30~~ DECEMBER 31 are suspended, and the
24 licensee shall not act as an escrow agent until the license is renewed or a
25 new license is issued pursuant to this article. A license of a licensee that
26 has not filed its renewal application and paid the renewal fee by ~~October~~
27 JANUARY 31 expires. A license shall not be granted to the holder of an
28 expired license except as provided in this article for the issuance of an
29 original license.

30 Sec. 4. Section 6-1203, Arizona Revised Statutes, is amended to read:

31 6-1203. Implementation; fees

32 A. To implement this article, the director may:

33 1. Enter into agreements or relationships with other government
34 officials or federal and state regulatory agencies and regulatory associations
35 in order to improve efficiencies and reduce regulatory burden by standardizing
36 methods or procedures, providing for licensure by reciprocity and sharing
37 resources, records or related information obtained under this article.

38 2. Use, hire, contract FOR or employ analytical systems, methods or
39 software to examine or investigate any person subject to this article.

40 3. Accept the following from other state or federal government agencies
41 or officials:

42 (a) Licensing, examination or investigation reports made by other state
43 or federal government agencies or officials.

(b) Audit reports made by an independent certified public accountant or other qualified third-party auditor for an applicant or licensee and incorporate the audit report in any report of examination or investigation.

B. The director shall administer, interpret and enforce this article and MAY adopt rules to implement this article. The director may impose fees to administer and enforce this article.

Sec. 5. Section 6-1305, Arizona Revised Statutes, is amended to read:

6-1305. Registration; renewal; reporting requirements

A. The deputy director shall register the applicant as an advance fee loan broker when an applicant has fully complied with this chapter and the rules prescribed by the deputy director.

B. The deputy director shall immediately notify the applicant on registering the applicant as an advance fee loan broker.

C. A registered advance fee loan broker shall apply for renewal as prescribed by the deputy director not later than ~~June 30~~ DECEMBER 31 of each year. A registration for which a renewal application is not received by the deputy director by ~~June 30~~ DECEMBER 31 is suspended and the registered advance fee loan broker may not act as an advance fee loan broker until the registration is renewed or a new registration is issued pursuant to this article. The registration of an advance fee loan broker that has not filed a renewal application and paid the renewal fee by ~~July~~ JANUARY 31 expires. A registration may not be granted to the holder of an expired registration except as provided in this article for the issuance of an original registration.

D. An advance fee loan broker may annually renew the broker's registration by filing a supplemental statement showing any changes in the facts set forth in the original application for registration or any previously filed supplemental statement made at the time of annual renewal.

E. An advance fee loan broker shall file a supplemental statement showing any changes in the facts set forth in the original application or in any supplemental statement made at the time of annual renewal within thirty days after a change in any material fact.

Sec. 6. Section 20-108.01, Arizona Revised Statutes, is amended to read:

20-108.01. Extended warranty insurers; deposit with state treasurer; powers and duties; definition

A. Every extended warranty insurer shall deposit with the state treasurer and maintain on deposit for the benefit and protection of any person purchasing such extended warranty or guaranty in the event of insolvency of the extended warranty insurer under its contract with any such person either of the following:

1. A bond in the amount of \$25,000 issued by an insurance company holding a current certificate of authority issued by the director.

2. Eligible securities as defined in section 20-583 having the lesser of par or market value of not less than \$25,000.

1 B. The director ~~shall~~ MAY adopt rules and regulations to enforce this
2 section.

3 C. For the purposes of this section, "extended warranty insurer" has
4 the same meaning prescribed in section 20-108.

5 Sec. 7. Title 20, chapter 1, article 1, Arizona Revised Statutes, is
6 amended by adding sections 20-123 and 20-127, to read:

7 20-123. Homeowners insurers; data compilation; annual report;
8 public posting

9 A. NOT LATER THAN APRIL 1 OF EACH YEAR, EACH INSURER THAT WRITES
10 HOMEOWNERS INSURANCE IN THIS STATE SHALL REPORT TO THE DIRECTOR OF THE
11 DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS IN A MANNER AND FORM AS
12 PRESCRIBED BY THE DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCIAL
13 INSTITUTIONS THE FOLLOWING INFORMATION ON EACH HOMEOWNERS INSURANCE POLICY THE
14 INSURER HAD IN FORCE DURING THE PRIOR CALENDAR YEAR IN THE GEOGRAPHIC AREAS OF
15 THIS STATE DESIGNATED AS HEIGHTENED FIRE RISK AREAS BY THE DIRECTOR OF THE
16 ARIZONA DEPARTMENT OF FORESTRY AND FIRE MANAGEMENT FOR THE PRIOR CALENDAR
17 YEAR:

18 1. IF THE POLICY WAS NEWLY ISSUED OR RENEWED, THE DATE THE POLICY WAS
19 ISSUED OR RENEWED.

20 2. IF THE POLICY WAS NONRENEWED OR CANCELED BY THE INSURER, THE INSURER
21 IS NOT REQUIRED TO PROVIDE THE REASON FOR THE NONRENEWAL OR CANCELLATION BUT
22 SHALL PROVIDE:

23 (a) THE DATE THE POLICY ENDED.

24 (b) IF THE POLICY WAS NONRENEWED, WHETHER THE POLICY WAS NONRENEWED
25 DUE TO:

26 (i) FIRE LOSS RISK.

27 (ii) CONDITION OF THE PREMISES.

28 (c) IF THE POLICY WAS CANCELED, WHETHER THE POLICY WAS CANCELED DUE TO:

29 (i) NONPAYMENT OF THE PREMIUM.

30 (ii) FIRE RISK LOSS.

31 3. THE ZIP CODE IN WHICH THE INSURED PROPERTY IS LOCATED, AND THE
32 DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS MAY REQUEST
33 ADDITIONAL GEOGRAPHIC INFORMATION TO CLARIFY THE LOCATION WITHIN A SPECIFIC
34 ZIP CODE.

35 4. THE TOTAL WRITTEN PREMIUM FOR THE POLICY.

36 5. THE TYPE OF POLICY FORM.

37 6. THE POLICY'S DEDUCTIBLE.

38 7. THE TOTAL NUMBER OF ALL OF THE PAID CLAIMS FOR ALL OF THE INSURER'S
39 HOMEOWNERS POLICIES:

40 (a) DUE TO FIRE LOSS.

41 (b) DUE TO REASONS OTHER THAN FIRE LOSS.

42 8. THE TOTAL OF ALL LOSSES PAID FOR ALL OF THE INSURER'S HOMEOWNERS
43 POLICIES:

44 (a) DUE TO FIRE LOSS.

45 (b) DUE TO REASONS OTHER THAN FIRE LOSS.

1 9. THE POLICY'S COVERAGE LIMITS.

2 10. ANY OTHER INFORMATION PRESCRIBED BY THE DIRECTOR OF THE DEPARTMENT
3 IN RULE, EXCEPT THAT IN ANY YEAR THE DIRECTOR OF THE DEPARTMENT MAY REQUIRE
4 THE REPORTING OF ANY CLARIFYING INFORMATION THAT IS CONSISTENT WITH THE
5 INFORMATION REQUESTED IN A DATA CALL ISSUED BY THE NATIONAL ASSOCIATION OF
6 INSURANCE COMMISSIONERS ON THE RESIDENTIAL PROPERTY INSURANCE MARKET.

7 B. EXCEPT AS PROVIDED IN SUBSECTION D OF THIS SECTION, THE INFORMATION
8 REPORTED PURSUANT TO SUBSECTION A OF THIS SECTION IS CONFIDENTIAL AND IS NOT
9 SUBJECT TO DISCLOSURE PURSUANT TO TITLE 39, CHAPTER 1, ARTICLE 2, DISCOVERY OR
10 SUBPOENA, UNLESS THE SUBPOENA IS ISSUED BY THE ATTORNEY GENERAL, A COUNTY
11 ATTORNEY OR A COURT AT THE REQUEST OF THE ATTORNEY GENERAL, A COUNTY ATTORNEY
12 OR A LAW ENFORCEMENT AGENCY, AND THE SUBPOENA IS NOT ADMISSIBLE IN EVIDENCE IN
13 A PRIVATE CIVIL ACTION. IF A SUBPOENA IS ISSUED BY THE ATTORNEY GENERAL, A
14 COUNTY ATTORNEY OR ANY OTHER LAW ENFORCEMENT AGENCY TO THE DIRECTOR FOR
15 INFORMATION REPORTED TO THE DIRECTOR, THE DIRECTOR SHALL PROVIDE NOTICE TO THE
16 INSURER OF THE SUBPOENA UNLESS OTHERWISE PROHIBITED BY LAW.

17 C. NOTWITHSTANDING SUBSECTION A OF THIS SECTION AND IN ANY YEAR IN
18 WHICH THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS ISSUES A DATA CALL
19 ON THE RESIDENTIAL PROPERTY INSURANCE MARKET, THE DIRECTOR MAY PRESCRIBE A DUE
20 DATE OTHER THAN APRIL 1 FOR THE REPORT REQUIRED IN SUBSECTION A OF THIS
21 SECTION THAT COINCIDES WITH THE DUE DATE FOR THE DATA CALL.

22 D. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE DIRECTOR SHALL PREPARE A
23 REPORT THAT COMPILES IN AN AGGREGATED AND ANONYMIZED MANNER THE INFORMATION
24 SUBMITTED BY INSURERS PURSUANT TO SUBSECTION A OF THIS SECTION AND SHALL
25 SUBMIT THE ANNUAL REPORT TO THE GOVERNOR, THE SPEAKER OF THE HOUSE OF
26 REPRESENTATIVES AND THE PRESIDENT OF THE SENATE AND SHALL PROVIDE A COPY OF
27 THIS REPORT TO THE SECRETARY OF STATE. THE DIRECTOR SHALL MAKE A COPY OF THE
28 REPORT AVAILABLE ON THE DEPARTMENT'S PUBLICLY ACCESSIBLE WEBSITE.

29 20-127. Fire insurance review task force; membership; duties;
30 annual report; public posting

31 A. THE FIRE INSURANCE REVIEW TASK FORCE IS ESTABLISHED IN THE
32 DEPARTMENT AND CONSISTS OF THE FOLLOWING MEMBERS:

33 1. THE DIRECTOR OF THE DEPARTMENT OR THE DIRECTOR'S DESIGNEE, WHO SHALL
34 SERVE AS CHAIRPERSON OF THE TASK FORCE.

35 2. TWO MEMBERS WHO ARE APPOINTED BY THE DIRECTOR, ONE OF WHOM IS AN
36 EMPLOYEE OF AN INSURANCE COMPANY THAT REPRESENTS THE HOMEOWNERS INSURANCE
37 INDUSTRY.

38 3. ONE MEMBER WHO IS APPOINTED BY THE DIRECTOR OF THE DEPARTMENT AND
39 WHO REPRESENTS A WILDFIRE RISK REDUCTION ORGANIZATION THAT IS INFORMED ON
40 WILDFIRE RISK.

41 4. THE STATE FORESTER OR THE STATE FORESTER'S DESIGNEE, WHO SHALL SERVE
42 AS VICE CHAIRPERSON OF THE TASK FORCE.

43 5. FOUR MEMBERS WHO ARE APPOINTED BY THE STATE FORESTER AND WHO HAVE
44 EXPERTISE IN WILDFIRE AREAS AND WILDFIRE PREVENTION AND MITIGATION.

1 B. APPOINTED MEMBERS SERVE TWO-YEAR TERMS BEGINNING AND ENDING ON THE
2 THIRD MONDAY IN JANUARY AND MAY BE REAPPOINTED FOR NOT MORE THAN TWO
3 CONSECUTIVE TERMS. ON THE EXPIRATION OF A MEMBER'S TERM, THE MEMBER MAY
4 CONTINUE TO SERVE UNTIL THAT MEMBER IS REAPPOINTED TO ANOTHER TERM OR A NEW
5 MEMBER IS APPOINTED.

6 C. ANY VACANCY IN THE MEMBERSHIP SHALL BE FILLED IN THE SAME MANNER AS
7 THE ORIGINAL APPOINTMENT.

8 D. THE DEPARTMENT SHALL PROVIDE THE TASK FORCE WITH BOTH OF THE
9 FOLLOWING:

10 1. THE ANNUAL AGGREGATED AND DEIDENTIFIED INSURANCE PREMIUM AND POLICY
11 COVERAGE DATA REPORTED BY INSURERS PURSUANT TO SECTION 20-123.

12 2. THE TOTAL NUMBER OF CONSUMER COMPLAINTS FOR THE CALENDAR YEAR THAT
13 IS RELATED TO NONRENEWAL OR CANCELLATION OF HOMEOWNERS POLICIES DUE TO RISK OF
14 FIRE LOSS AND RELATED TO INCREASES IN HOMEOWNERS INSURANCE PREMIUMS.

15 E. THE TASK FORCE SHALL:

16 1. REVIEW THE DATA RECEIVED FROM THE DEPARTMENT.

17 2. IDENTIFY POSSIBLE CURRENT AND HISTORIC TRENDS IN HOMEOWNERS COVERAGE
18 AVAILABILITY, INSURANCE RATES, NONRENEWAL AND CANCELLATION.

19 3. REVIEW DATA RELATED TO FIRE RISK MITIGATION SCIENCE AND MAKE
20 RECOMMENDATIONS RELATED TO BUILDING CODES, DEFENSIBLE SPACE REQUIREMENTS AND
21 ORDINANCES THAT REDUCE THE RISK OF WILDFIRE.

22 F. THE TASK FORCE MAY ESTABLISH AD HOC WORK GROUPS TO CARRY OUT THE
23 PURPOSES OF THIS SECTION AND CONSULT WITH EXPERTS IN THE FIELD OF WILDFIRE
24 RISKS AND THE IMPACT OF WILDFIRES AND WILDFIRE RISK ON HOMEOWNERS INSURANCE
25 PREMIUMS.

26 G. THE TASK FORCE SHALL HOLD AT LEAST FOUR MEETINGS PER CALENDAR YEAR.

27 H. TASK FORCE MEMBERS ARE ELIGIBLE TO RECEIVE REIMBURSEMENT OF EXPENSES
28 UNDER TITLE 38, CHAPTER 4, ARTICLE 2.

29 I. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE TASK FORCE SHALL SUBMIT A
30 REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE GOVERNOR, THE SPEAKER OF THE
31 HOUSE OF REPRESENTATIVES, THE PRESIDENT OF THE SENATE, THE MINORITY LEADER OF
32 THE HOUSE OF REPRESENTATIVES AND THE MINORITY LEADER OF THE SENATE AND SHALL
33 PROVIDE A COPY OF THIS REPORT TO THE SECRETARY OF STATE AND THE
34 DEPARTMENT. THE DIRECTOR SHALL POST THE REPORT ON THE DEPARTMENT'S WEBSITE.

35 Sec. 8. Delayed repeal

36 Sections 20-123 and 20-127, Arizona Revised Statutes, as added by this
37 act, are repealed from and after December 31, 2027.

38 Sec. 9. Section 20-211, Arizona Revised Statutes, is amended to read:

39 20-211. Surplus required

40 A. In addition to the minimum required capital stock, if a stock
41 insurer, or minimum required basic surplus, if mutual or reciprocal insurers,
42 as required by sections 20-210 and 20-212 as to all stock insurers and foreign
43 and alien mutual and reciprocal insurers, by sections 20-768 and 20-212 as to
44 domestic reciprocal insurers, and section 20-711, subsection B and section
45 20-212 as to domestic mutual insurers, except as stated in subsection C of

1 this section, any foreign or alien insurer, any title insurer, and any
2 domestic insurer shall possess at the time of original authorization in this
3 state initial free surplus as stated in section 20-210, and shall maintain
4 free surplus funds in an amount of not less than one-half such initial free
5 surplus. No other insurer shall be so initially authorized in this state
6 unless it then possesses surplus of not less than initial free surplus as
7 stated in section 20-210, in addition to the minimum required capital stock,
8 if a stock insurer, or minimum required basic surplus, if mutual or reciprocal
9 insurers, otherwise required.

10 B. In addition to the minimum required capital stock if the insurer is
11 a stock insurer or in addition to the minimum required basic surplus if the
12 insurer is a mutual or reciprocal insurer under this article and chapter 4,
13 article 1 of this title, a domestic, foreign or alien insurer shall possess
14 and maintain any additional free surplus that the director may require based
15 on the type, volume or nature of its business as a necessary condition to
16 avoid rendering its transaction of insurance hazardous to its policyholders or
17 the people of this state. The director ~~shall~~ MAY adopt rules to implement ~~the~~
18 ~~provisions of~~ this subsection.

19 C. Subsection A of this section ~~shall~~ DOES not apply to a domestic
20 mutual insurer ~~which~~ THAT qualifies ~~upon~~ ON the basis of applications for
21 insurance as provided in section 20-711, ~~nor~~ OR to reinsurers ~~which~~ THAT
22 qualify pursuant to chapter 4, article 10 of this title and ~~which~~ THAT do not
23 within such five year period transact any kind of insurance in addition to
24 that for which initially authorized.

25 Sec. 10. Section 20-235, Arizona Revised Statutes, is amended to
26 read:

27 20-235. Insurers; financial disclosure; requirements

28 A. The director ~~shall~~ MAY adopt rules which require each insurer
29 licensed to write property or casualty insurance in this state to report its
30 loss and expense experience, investment income, administrative expenses and
31 other data, as he may require, for classes of risks which he may
32 designate. Such reports shall be in addition to the annual statement required
33 by section 20-223.

34 B. The department may designate one or more rate service organizations
35 or advisory organizations to gather and compile the experience and data.

36 C. The director by order may require an insurer authorized to transact
37 insurance in this state to submit statistical and other financial data
38 including the information prescribed in subsection A of this section in a form
39 and content consistent with rules adopted pursuant to subsection A, with any
40 model guideline, regulation, rule or act adopted by the national association
41 of insurance commissioners or with the classification basis used by the
42 insurer. The director shall prescribe the time period and form in which the
43 data shall be submitted.

44 D. An insurer who fails to provide the information required under
45 subsection C of this section is subject to payment of a late fee of not more

1 than one hundred dollars for each day of delinquency. The director shall
2 notify an insurer of late fees that it will incur as a result of noncompliance
3 with this section at least ten days prior to the date any such late fees
4 become due.

5 Sec. 11. Title 20, chapter 2, article 2, Arizona Revised Statutes, is
6 amended by adding section 20-269, to read:

7 20-269. Motor vehicle insurer; claims process; electronic
8 communications; acknowledgment of receipt; definition

9 A. FOR COMMUNICATIONS RELATED TO A MOTOR VEHICLE INSURANCE POLICY'S
10 CLAIMS PROCESS AND IN ADDITION TO OTHER FORMS OF COMMUNICATION, AN INSURER
11 THAT CONDUCTS BUSINESS IN THIS STATE SHALL ACCEPT ELECTRONIC CONTENT
12 SUBMISSIONS AND COMMUNICATIONS THROUGH A METHOD THAT IS DESIGNATED BY THE
13 INSURER AS AN ACCEPTABLE FORM OF COMMUNICATION BETWEEN THE INSURER AND THE
14 CLAIMANT OR THE CLAIMANT'S AUTHORIZED REPRESENTATIVE. ELECTRONIC CONTENT
15 SUBMISSIONS AND COMMUNICATIONS MAY INCLUDE TIME-SENSITIVE DOCUMENTS AND
16 DEMANDS. THE INSURER SHALL RESPOND WITH AN ACKNOWLEDGMENT OF RECEIPT WITHIN
17 TEN BUSINESS DAYS.

18 B. A MOTOR VEHICLE INSURER MAY ACCEPT A FAX AS A FORM OF COMMUNICATION
19 IF ANOTHER FORM OF ELECTRONIC COMMUNICATION IS ALSO AVAILABLE.

20 C. FOR THE PURPOSES OF THIS SECTION, "CLAIMANT" INCLUDES A THIRD-PARTY
21 CLAIMANT.

22 Sec. 12. Section 20-2414, Arizona Revised Statutes, is amended to
23 read:

24 20-2414. Annual report

25 A. ~~Beginning on or before December 31, 2017,~~ The director shall
26 annually report the following information to the president of the senate and
27 the speaker of the house of representatives:

28 1. The number of risk retention groups licensed in this state since
29 August 6, 2016.

30 2. Any regulatory action taken by the director against a risk retention
31 group licensed in this state for noncompliance with section 20-2402.

32 ~~3. The total number of private passenger automobile insurance policies:~~
33 ~~(a) That were nonrenewed during the previous calendar year pursuant to~~
34 ~~sections 20-1631 and 20-1632.~~

35 ~~(b) In force in this state as of the end of the previous calendar year.~~

36 ~~(c) In force within this state's automobile assigned risk plan as of~~
37 ~~the end of the previous calendar year.~~

38 B. The director may provide the report required by subsection A of this
39 section in an electronic format.

40 Sec. 13. Section 20-2510, Arizona Revised Statutes, is amended to
41 read:

42 20-2510. Health care insurers requirements; medical directors

43 A. A health care insurer that proposes to provide coverage of inpatient
44 hospital and medical benefits, outpatient surgical benefits or any medical,
45 surgical or health care service for residents of this state with utilization

1 review of those benefits shall meet at least one of the following
2 requirements:

3 1. Have a certificate issued pursuant to this chapter.

4 2. Be accredited by the utilization review accreditation commission,
5 the national committee for quality assurance or any other nationally
6 recognized accreditation process recognized by the director.

7 3. Contract with a utilization review agent that has a certificate
8 issued pursuant to this chapter.

9 4. Contract with a utilization review agent that is accredited by the
10 utilization review accreditation commission, the national committee for
11 quality assurance or any other nationally recognized accreditation process
12 recognized by the director.

13 5. Provide to the director a signed and notarized statement that the
14 health care insurer has submitted an application for accreditation to the
15 utilization review accreditation commission or the national committee for
16 quality assurance and is awaiting completion of the accreditation review
17 process. On completion of the accreditation review process, the insurer shall
18 provide to the director adequate proof that the insurer has been
19 accredited. If the insurer is denied accreditation, within sixty days after
20 the denial the insurer shall meet at least one of the requirements set forth
21 in paragraph 1, 2, 3 or 4 of this subsection.

22 B. Except as provided in subsections C, D and E of this section, any
23 direct denial of prior authorization of a service requested by a health care
24 provider on the basis of medical necessity by a health care insurer shall be
25 made in writing by a medical director who holds an active unrestricted license
26 to practice medicine in this state pursuant to title 32, chapter 13 or 17.
27 The written denial shall include an explanation of why the treatment was
28 denied, ~~and the medical director who made the denial shall sign the written~~
29 ~~denial~~. The health care insurer shall send a copy of the written denial to
30 the health care provider who requested the treatment. Health care insurers
31 shall maintain copies of all written denials and shall make the copies
32 available to the department for inspection during regular business hours. The
33 medical director is responsible for all direct denials that are made on the
34 basis of medical necessity. Nothing in this section prohibits a health care
35 insurer from consulting with a licensed physician whose scope of practice may
36 provide the health care insurer with a more thorough review of the medical
37 necessity.

38 C. For determinations made pursuant to subsection B of this section, a
39 dental service corporation as defined in section 20-822 or a prepaid dental
40 plan organization as defined in section 20-1001 may use as a medical director
41 either:

42 1. An individual who holds an active unrestricted license to practice
43 dentistry in this state pursuant to title 32, chapter 11.

44 2. A physician who holds an active unrestricted license to practice
45 medicine in this state pursuant to title 32, chapter 13 or 17.

1 D. For determinations made pursuant to subsection B of this section, an
2 optometric service corporation may use as a medical director either:

3 1. An individual who holds an active unrestricted license to practice
4 optometry in this state pursuant to title 32, chapter 16.

5 2. A physician who holds an active unrestricted license to practice
6 medicine in this state pursuant to title 32, chapter 13 or 17.

7 E. For determinations made pursuant to subsection B of this section, a
8 health care insurer shall use a chiropractor licensed in this state pursuant
9 to title 32, chapter 8 or by any regulatory board in another state to review
10 any direct denial of prior authorization of a chiropractic service requested
11 by a chiropractor on the basis of medical necessity.

12 Sec. 14. Section 20-2904, Arizona Revised Statutes, is amended to
13 read:

14 20-2904. Continuing education; contractor requirements; automatic
15 approval

16 A. Pursuant to title 41, chapter 23, the director shall enter into a
17 contract with a person for the approval of approved providers and courses and
18 administration of the continuing education program. ~~The director shall include~~
19 ~~in any request for proposals the minimum performance standards established by~~
20 ~~the continuing education review committee.~~

21 B. The contractor shall:

22 ~~1. After a complete review and investigation based on the minimum~~
23 ~~standards established by the continuing education review committee:~~

24 ~~(a)~~ 1. Accept or reject provider organizations as approved providers.

25 ~~(b)~~ 2. Except as provided in subsection C of this section, review
26 course content for approval or disapproval as an approved continuing education
27 course.

28 ~~2.~~ 3. Charge an applicant an application fee for acceptance as an
29 approved provider and a fee for approval of a continuing education course.

30 C. A continuing education course is automatically approved if either:

31 1. Thirty days after the contractor receives an application, the
32 contractor does not disapprove the course described in the application or does
33 not request supplemental information from the applicant.

34 2. The course is approved by the insurance regulatory authority in at
35 least five other states and the approved provider provides the contractor with
36 a certificate or letter from the regulatory authority in the five other states
37 that confirms the approval of the course.

38 D. The contractor's decision pursuant to subsection B, paragraph ~~1,~~
39 ~~subdivision (b)~~ 2 of this section is an appealable agency action as defined in
40 section 41-1092 and the approved provider is entitled to a hearing pursuant to
41 title 41, chapter 6, article 10 and, except as provided in section 41-1092.08,
42 subsection H, is entitled to judicial review pursuant to title 12, chapter 7,
43 article 6.

44 E. Except as provided in section 20-2903, the acceptance of an approved
45 provider is valid for five years. At the end of the five years, the approved

1 provider may submit an application for renewal to the contractor and the
2 contractor shall charge the approved provider the fee prescribed in subsection
3 B of this section. The approval of a continuing education course is valid for
4 two years or until the course content or outline changes. At the end of the
5 two years or when the course content or outline changes, the approved provider
6 may submit an application for renewal to the contractor and the contractor
7 shall charge the approved provider the fee prescribed in subsection B of this
8 section.

9 Sec. 15. Section 20-3251, Arizona Revised Statutes, is amended to
10 read:

11 20-3251. Interstate insurance product regulation compact

12 The interstate insurance product regulation compact is enacted into law
13 as follows:

14 Article I

15 Purpose

16 Under the terms and conditions of this compact, this state seeks to join
17 with other states and establish the interstate insurance product regulation
18 compact and thus become a member of the interstate insurance product
19 regulation commission. The director is hereby designated to serve as the
20 representative of this state to the commission. The purposes of the compact
21 are, through means of joint and cooperative action among the compacting
22 states:

23 1. To promote and protect the interest of consumers of individual and
24 group annuity, life insurance, disability income and long-term care insurance
25 products.

26 2. To develop uniform standards for insurance products covered under
27 the compact.

28 3. To establish a central clearinghouse to receive and provide prompt
29 review of insurance products covered under the compact and, in certain cases,
30 related advertisements, submitted by insurers authorized to do business in one
31 or more compacting states.

32 4. To give appropriate regulatory approval to those product filings and
33 advertisements satisfying the applicable uniform standard.

34 5. To improve coordination of regulatory resources and expertise
35 between state insurance departments regarding the setting of uniform standards
36 and review of insurance products covered under the compact.

37 6. To create the interstate insurance product regulation commission.

38 7. To perform these and other related functions as may be consistent
39 with the state regulation of the business of insurance.

40 Article II

41 Definitions

42 In this compact, unless the context otherwise requires:

43 1. "Advertisement" means any material designed to create public
44 interest in a product or induce the public to purchase, increase, modify,

1 reinstate, borrow on, surrender, replace or retain a policy, as more
2 specifically defined in the rules and operating procedures of the commission.
3 2. "Bylaws" means those bylaws established by the commission for its
4 governance or for directing or controlling the commission's actions or
5 conduct.
6 3. "Commission" means the interstate insurance product regulation
7 commission established by this compact.
8 4. "Commissioner" means the insurance director or the chief insurance
9 regulatory official of a state including commissioner, deputy director,
10 director or administrator.
11 5. "Compact" means the interstate insurance product regulation compact.
12 6. "Compacting state" means any state that has enacted the compact and
13 that has not withdrawn or been terminated under article XIV of this compact.
14 7. "Insurer" means any entity licensed by a state to issue contracts of
15 insurance for any of the lines of insurance covered by the compact.
16 8. "Member" means the person chosen by a compacting state as its
17 representative to the commission or the person's designee.
18 9. "Noncompacting state" means any state that is not at the time a
19 compacting state.
20 10. "Operating procedures" means procedures adopted by the commission
21 implementing a rule, uniform standard or compact provision.
22 11. "Product" means the form of a policy or contract, including any
23 application, endorsement or related form that is attached to and made a part
24 of the policy or contract, and any evidence of coverage or certificate, for an
25 individual or group annuity, life insurance, disability income or long-term
26 care insurance product that an insurer is authorized to issue.
27 12. "Rule" means a statement of general or particular applicability and
28 future effect that is adopted by the commission, including a uniform standard
29 developed pursuant to article VII of this compact, and that is designed to
30 implement, interpret or prescribe law or policy or describes the organization,
31 procedure or practice requirements of the commission, which shall have the
32 force and effect of law in the compacting states.
33 13. "State" means any state, district or territory of the United
34 States.
35 14. "Third-party filer" means an entity that submits a product filing
36 to the commission on behalf of an insurer.
37 15. "Uniform standard" means a standard adopted by the commission for a
38 product line pursuant to article VII of this compact and includes all of the
39 product requirements in aggregate. Each uniform standard shall be construed,
40 whether express or implied, to prohibit the use of any inconsistent,
41 misleading or ambiguous provisions in a product and the form of the product
42 made available to the public shall not be unfair, inequitable or against
43 public policy as determined by the commission.

Article III

Commission Establishment and Venue

A. The compacting states hereby create and establish a joint public agency known as the interstate insurance product regulation commission. Under article IV of this compact, the commission has the power to develop uniform standards for product lines, receive and provide prompt review of products filed with the commission and give approval to those product filings satisfying applicable uniform standards. It is not intended for the commission to be the exclusive entity for receipt and review of insurance product filings. This section does not prohibit any insurer from filing its product in any state wherein the insurer is licensed to conduct the business of insurance. Any filing is subject to the laws of the state where filed.

B. The commission is a body corporate and politic, and an instrumentality of the compacting states.

C. The commission is solely responsible for its liabilities except as otherwise specifically provided in this compact.

D. Venue is proper and judicial proceedings by or against the commission shall be brought solely and exclusively in a court of competent jurisdiction where the principal office of the commission is located.

Article IV

Commission Powers

The commission has the following powers:

1. To adopt rules pursuant to article VII of this compact that shall have the force and effect of law and shall be binding in the compacting states to the extent and in the manner provided in the compact.

2. To exercise its rulemaking authority and establish reasonable uniform standards for products covered under the compact, and advertisement related thereto, which shall have the force and effect of law and shall be binding in the compacting states, but only for those products filed with the commission. A compacting state shall have the right to opt out of the uniform standard pursuant to article VII of this compact, to the extent and in the manner provided in this compact. Any uniform standard established by the commission for long-term care insurance products may provide the same or greater protections for consumers as, but shall not provide less than, those protections set forth in the national association of insurance commissioners' long-term care insurance model act and long-term care insurance model regulation, respectively, adopted as of 2001. The commission shall consider whether any subsequent amendments to the long-term care insurance model act or long-term care insurance model regulation adopted by the national association of insurance commissioners require amending of the uniform standards established by the commission for long-term care insurance products.

3. To receive and review in an expeditious manner products filed with the commission, and rate filings for disability income and long-term care insurance products, and give approval of those products and rate filings that satisfy the applicable uniform standard, where such approval shall have the

1 force and effect of law and be binding on the compacting states to the extent
2 and in the manner provided in the compact.

3 4. To receive and review in an expeditious manner advertisement
4 relating to long-term care insurance products for which uniform standards have
5 been adopted by the commission, and give approval to all advertisement that
6 satisfies the applicable uniform standard. For any product covered under this
7 compact, other than long-term care insurance products, the commission shall
8 have the authority to require an insurer to submit all or any part of its
9 advertisement with respect to that product for review or approval before use
10 if the commission determines that the nature of the product is such that an
11 advertisement of the product could have the capacity or tendency to mislead
12 the public. The actions of the commission as provided in this section shall
13 have the force and effect of law and shall be binding in the compacting states
14 to the extent and in the manner provided in the compact.

15 5. To exercise its rulemaking authority and designate products and
16 advertisement that may be subject to a self-certification process without the
17 need for prior approval by the commission.

18 6. To adopt operating procedures pursuant to article VII of this
19 compact that shall be binding in the compacting states to the extent and in
20 the manner provided in the compact.

21 7. To bring and prosecute legal proceedings or actions in its name as
22 the commission. The standing of any state insurance department to sue or be
23 sued under applicable law shall not be affected.

24 8. To issue subpoenas requiring the attendance and testimony of
25 witnesses and the production of evidence.

26 9. To establish and maintain offices.

27 10. To purchase and maintain insurance and bonds.

28 11. To borrow, accept or contract for services of personnel, including
29 employees of a compacting state.

30 12. To hire employees, professionals or specialists, and elect or
31 appoint officers, and to fix their compensation, define their duties and give
32 them appropriate authority to carry out the purposes of the compact, and
33 determine their qualifications and to establish the commission's personnel
34 policies and programs relating to, among other things, conflicts of interest,
35 rates of compensation and qualifications of personnel.

36 13. To accept any and all appropriate donations and grants of money,
37 equipment, supplies, materials and services, and to receive, use and dispose
38 of the same. The commission shall strive to avoid any appearance of
39 impropriety.

40 14. To lease, purchase, accept appropriate gifts or donations of, or
41 otherwise to own, hold, improve or use, any property, real, personal or
42 mixed. The commission shall strive to avoid any appearance of impropriety.

43 15. To sell, convey, mortgage, pledge, lease, exchange, abandon or
44 otherwise dispose of any property, real, personal or mixed.

16. To remit filing fees to compacting states as may be set forth in the bylaws, rules or operating procedures.

17. To enforce compliance by compacting states with rules, uniform standards, operating procedures and bylaws.

18. To provide for dispute resolution among compacting states.

19. To advise compacting states on issues relating to insurers domiciled or doing business in noncompacting jurisdictions, consistent with the purposes of the compact.

20. To provide advice and training to those personnel in state insurance departments responsible for product review, and to be a resource for state insurance departments.

21. To establish a budget and make expenditures.

22. To borrow money.

23. To appoint committees, including advisory committees comprising members, state insurance regulators, state legislators or their representatives, insurance industry and consumer representatives and other interested persons as may be designated in the bylaws.

24. To provide and receive information from, and to cooperate with, law enforcement agencies.

25. To adopt and use a corporate seal.

26. To perform other functions as may be necessary or appropriate to achieve the purposes of the compact consistent with the state regulation of the business of insurance.

Article V

Commission Organization

A. Each compacting state shall have and be limited to one member. Each member shall be qualified to serve in that capacity pursuant to applicable law of the compacting state. Any member may be removed or suspended from office as provided by the law of the state from which the member shall be appointed. Any vacancy occurring in the commission shall be filled in accordance with the laws of the compacting state wherein the vacancy exists. This section does not affect the manner in which a compacting state determines the election or appointment and qualification of its own commissioner.

B. Each member shall be entitled to one vote and shall have an opportunity to participate in the governance of the commission in accordance with the bylaws. Notwithstanding any provision in this compact to the contrary, no action of the commission with respect to the adoption of a uniform standard shall be effective unless two-thirds of the members vote in favor of the uniform standard.

C. The commission, by a majority of the members, shall prescribe bylaws to govern its conduct as may be necessary or appropriate to carry out the purposes, and exercise the powers, of the compact, including:

1. Establishing the fiscal year of the commission.

2. Providing reasonable procedures for appointing and electing members, as well as holding meetings, of the management committee.

1 3. Providing reasonable standards and procedures for:

2 (a) The establishment and meetings of other committees.

3 (b) Governing any general or specific delegation of any authority or
4 function of the commission.

5 4. Providing reasonable procedures for calling and conducting meetings
6 of the commission that consist of a majority of commission members, ensuring
7 reasonable advance notice of each such meeting and providing for the right of
8 citizens to attend each such meeting with enumerated exceptions designed to
9 protect the public's interest, the privacy of individuals and insurers'
10 proprietary information, including trade secrets. The commission may meet in
11 camera only after a majority of the entire membership votes to close a
12 meeting. As soon as practicable, the commission must make public a copy of
13 the vote to close the meeting revealing the vote of each member with no proxy
14 votes allowed and the votes taken during the meeting.

15 5. Establishing the titles, duties, authority and reasonable procedures
16 for the election of the officers of the commission.

17 6. Providing reasonable standards and procedures for the establishment
18 of the personnel policies and programs of the commission. Notwithstanding any
19 civil service or other similar laws of any compacting state, the bylaws shall
20 exclusively govern the personnel policies and programs of the commission.

21 7. Adopting a code of ethics to address permissible and prohibited
22 activities of commission members and employees.

23 8. Providing a mechanism for winding up the operations of the
24 commission and the equitable disposition of any surplus funds that may exist
25 after the termination of the compact and after the payment or reserving of all
26 of its debts and obligations.

27 D. The commission shall publish its bylaws in a convenient form and
28 file a copy of the bylaws and any amendment to the bylaws with the appropriate
29 agency or officer in each of the compacting states.

30 E. A management committee comprising no more than fourteen members
31 shall be established as follows:

32 1. One member from each of the six compacting states with the largest
33 premium volume for individual and group annuities, life, disability income,
34 and long-term care insurance products, determined from the records of the
35 national association of insurance commissioners for the prior year.

36 2. Four members from those compacting states with at least two percent
37 of the market based on the premium volume described in paragraph 1 of this
38 subsection, other than the six compacting states with the largest premium
39 volume, selected on a rotating basis as provided in the bylaws.

40 3. Four members from those compacting states with less than two percent
41 of the market, based on the premium volume described in paragraph 1 of this
42 subsection, with one selected from each of the four zone regions of the
43 national association of insurance commissioners as provided in the bylaws.

44 F. The management committee shall have such authority and duties as may
45 be set forth in the bylaws, including:

1 1. Managing the affairs of the commission in a manner consistent with
2 the bylaws and purposes of the commission.

3 2. Establishing and overseeing an organizational structure within, and
4 appropriate procedures for, the commission to provide for the creation of
5 uniform standards and other rules, the receipt and review of product filings,
6 administrative and technical support functions, the review of decisions
7 regarding the disapproval of a product filing and the review of elections made
8 by a compacting state to opt out of a uniform standard. However, a uniform
9 standard shall not be submitted to the compacting states for adoption unless
10 approved by two-thirds of the members of the management committee.

11 3. Overseeing the offices of the commission.

12 4. Planning, implementing and coordinating communications and
13 activities with other state, federal and local government organizations in
14 order to advance the goals of the commission.

15 G. The commission shall elect annually officers from the management
16 committee, with each having such authority and duties, as may be specified in
17 the bylaws.

18 H. The management committee, subject to the approval of the commission,
19 may appoint or retain an executive director for such period, on such terms and
20 conditions and for such compensation as the commission may deem
21 appropriate. The executive director shall serve as secretary to the
22 commission, but shall not be a member of the commission. The executive
23 director shall hire and supervise other staff as may be authorized by the
24 commission.

25 I. A legislative committee comprising state legislators or their
26 designees shall be established to monitor the operations of, and make
27 recommendations to, the commission, including the management committee.
28 However, the manner of selection and term of any legislative committee member
29 shall be as set forth in the bylaws. Before the adoption by the commission of
30 any uniform standard, revision to the bylaws, annual budget or other
31 significant matter as may be provided in the bylaws, the management committee
32 shall consult with and report to the legislative committee.

33 J. The commission shall establish two advisory committees, one of which
34 shall comprise consumer representatives independent of the insurance industry,
35 and the other comprising insurance industry representatives.

36 K. The commission may establish additional advisory committees as its
37 bylaws may provide for the carrying out of its functions.

38 L. The commission shall maintain its corporate books and records in
39 accordance with the bylaws.

40 M. The members, officers, executive director, employees and
41 representatives of the commission shall be immune from suit and liability,
42 either personally or in their official capacity, for any claim for damage to
43 or loss of property or personal injury or other civil liability caused by or
44 arising out of any actual or alleged act, error or omission that occurred, or
45 that the person against whom the claim is made had a reasonable basis for

1 believing occurred within the scope of commission employment, duties or
2 responsibilities. This subsection does not protect any such person from suit
3 or liability for any damage, loss, injury or liability caused by the
4 intentional or wilful and wanton misconduct of that person.

5 N. The commission shall defend any member, officer, executive director,
6 employee or representative of the commission in any civil action seeking to
7 impose liability arising out of any actual or alleged act, error or omission
8 that occurred within the scope of commission employment, duties or
9 responsibilities, or that the person against whom the claim is made had a
10 reasonable basis for believing occurred within the scope of commission
11 employment, duties or responsibilities. This subsection does not prohibit
12 that person from retaining the person's own counsel. Also, the actual or
13 alleged act, error or omission may not have resulted from that person's
14 intentional or wilful and wanton misconduct.

15 O. The commission shall indemnify and hold harmless any member,
16 officer, executive director, employee or representative of the commission for
17 the amount of any settlement or judgment obtained against that person arising
18 out of any actual or alleged act, error or omission that occurred within the
19 scope of commission employment, duties or responsibilities, or that such
20 person had a reasonable basis for believing occurred within the scope of
21 commission employment, duties or responsibilities. However, the actual or
22 alleged act, error or omission may not have resulted from the intentional or
23 wilful and wanton misconduct of that person.

24 Article VI

25 Commission Meeting and Acts

26 A. The commission shall meet and take such actions as are consistent
27 with the provisions of this compact and the bylaws.

28 B. Each member of the commission shall have the right and power to cast
29 a vote to which that compacting state is entitled and to participate in the
30 business and affairs of the commission. A member shall vote in person or by
31 such other means as provided in the bylaws. The bylaws may provide for
32 members' participation in meetings by telephone or other means of
33 communication.

34 C. The commission shall meet at least once during each calendar year.
35 Additional meetings shall be held as set forth in the bylaws.

36 Article VII

37 Rules and Operating Procedures, Rulemaking Functions 38 and Opting Out of Uniform Standards

39 A. The commission shall adopt reasonable rules, including uniform
40 standards, and operating procedures in order to effectively and efficiently
41 achieve the purposes of this compact. If the commission exercises its
42 rulemaking authority in a manner that is beyond the scope of the purposes of
43 this compact, the action by the commission shall be invalid and have no force
44 and effect.

1 B. Rules and operating procedures shall be made pursuant to a
2 rulemaking process that conforms to the model state administrative procedure
3 act of 1981 as amended, as may be appropriate to the operations of the
4 commission. Before the commission adopts a uniform standard, the commission
5 shall give written notice to the relevant state legislative committees in each
6 compacting state responsible for insurance issues of its intention to adopt
7 the uniform standard. The commission in adopting a uniform standard shall
8 consider fully all submitted materials and issue a concise explanation of its
9 decision.

10 C. A uniform standard shall become effective ninety days after its
11 adoption by the commission or such later date as the commission may
12 determine. A compacting state may opt out of a uniform standard as provided
13 in this article. "Opt out" means any action by a compacting state to decline
14 to adopt or participate in an adopted uniform standard. All other rules and
15 operating procedures, and amendments thereto, shall become effective as of the
16 date specified in each rule, operating procedure or amendment.

17 D. A compacting state may opt out of a uniform standard, either by
18 legislation or rule adopted by the insurance department under the compacting
19 state's administrative procedure act. If a compacting state elects to opt out
20 of a uniform standard by rule, it must:

21 1. Give written notice to the commission no later than ten business
22 days after the uniform standard is adopted, or at the time the state becomes a
23 compacting state.

24 2. Find that the uniform standard does not provide reasonable
25 protections to the citizens of the state, given the conditions in the state.

26 E. The commissioner shall make specific findings of fact and
27 conclusions of law, based on a preponderance of the evidence, detailing the
28 conditions in the state that warrant a departure from the uniform standard and
29 determining that the uniform standard would not reasonably protect the
30 citizens of the state. The commissioner must consider and balance the
31 following factors and find that the conditions in the state and needs of the
32 citizens of the state outweigh both:

33 1. The intent of the legislature to participate in, and the benefits
34 of, an interstate agreement to establish national uniform consumer protections
35 for the products subject to this compact.

36 2. The presumption that a uniform standard adopted by the commission
37 provides reasonable protections to consumers of the relevant product.

38 F. A compacting state, at the time of its enactment of the compact, may
39 prospectively opt out of all uniform standards involving long-term care
40 insurance products by expressly providing for such opt out in the enacted
41 compact, and such an opt out shall not be treated as a material variance in
42 the offer or acceptance of any state to participate in the compact. Such an
43 opt out shall be effective at the time of enactment of the compact by the
44 compacting state and shall apply to all existing uniform standards involving
45 long-term care insurance products and those subsequently adopted. ~~Pursuant to~~

~~1 this subsection, this state opts out of all uniform standards involving long-~~
~~2 term care insurance products.~~

3 G. If a compacting state elects to opt out of a uniform standard, the
4 uniform standard shall remain applicable in the compacting state electing to
5 opt out until the opt out legislation is enacted into law or the regulation
6 opting out becomes effective. Once the opt out of a uniform standard by a
7 compacting state becomes effective as provided under the laws of that state,
8 the uniform standard shall have no further force and effect in that state
9 unless and until the legislation or regulation implementing the opt out is
10 repealed or otherwise becomes ineffective under the laws of that state. If a
11 compacting state opts out of a uniform standard after the uniform standard has
12 been made effective in that state, the opt out shall have the same prospective
13 effect as provided under article XIV of this compact for withdrawals.

14 H. If a compacting state has formally initiated the process of opting
15 out of a uniform standard by regulation, and while the regulatory opt out is
16 pending, the compacting state may petition the commission, at least fifteen
17 days before the effective date of the uniform standard, to stay the
18 effectiveness of the uniform standard in that state. The commission may grant
19 a stay if it determines the regulatory opt out is being pursued in a
20 reasonable manner and there is a likelihood of success. If a stay is granted
21 or extended by the commission, the stay or extension thereof may postpone the
22 effective date by up to ninety days, unless affirmatively extended by the
23 commission. However, a stay may not be permitted to remain in effect for more
24 than one year unless the compacting state can show extraordinary circumstances
25 that warrant a continuance of the stay, including, the existence of a legal
26 challenge that prevents the compacting state from opting out. A stay may be
27 terminated by the commission on notice that the rulemaking process has been
28 terminated.

29 I. Not later than thirty days after a rule or operating procedure is
30 adopted, any person may file a petition for judicial review of the rule or
31 operating procedure. However, the filing of such a petition shall not stay or
32 otherwise prevent the rule or operating procedure from becoming effective
33 unless the court finds that the petitioner has a substantial likelihood of
34 success. The court shall give deference to the actions of the commission
35 consistent with applicable law and shall not find the rule or operating
36 procedure to be unlawful if the rule or operating procedure represents a
37 reasonable exercise of the commission's authority.

38 Article VIII

39 Commission Records and Enforcement

40 A. The commission shall adopt rules establishing conditions and
41 procedures for public inspection and copying of its information and official
42 records, except information and records involving the privacy of individuals
43 and insurers' trade secrets. The commission may adopt additional rules under
44 which it may make available to federal and state agencies, including law
45 enforcement agencies, records and information otherwise exempt from

1 disclosure, and may enter into agreements with such agencies to receive or
2 exchange information or records subject to nondisclosure and confidentiality
3 provisions.

4 B. Except as to privileged records, data and information, the laws of
5 any compacting state pertaining to confidentiality or nondisclosure shall not
6 relieve any compacting state commissioner of the duty to disclose any relevant
7 records, data or information to the commission. Disclosure to the commission
8 does not waive or otherwise affect any confidentiality requirement. Except as
9 otherwise expressly provided in this compact, the commission shall not be
10 subject to the compacting state's laws pertaining to confidentiality and
11 nondisclosure with respect to records, data and information in its
12 possession. Confidential information of the commission shall remain
13 confidential after the information is provided to any commissioner.

14 C. The commission shall monitor compacting states for compliance with
15 duly adopted bylaws, rules, including uniform standards, and operating
16 procedures. The commission shall notify any noncomplying compacting state in
17 writing of its noncompliance with commission bylaws, rules or operating
18 procedures. If a noncomplying compacting state fails to remedy its
19 noncompliance within the time specified in the notice of noncompliance, the
20 compacting state shall be deemed to be in default as set forth in article XIV
21 of this compact.

22 D. The commissioner of any state in which an insurer is authorized to
23 do business, or is conducting the business of insurance, shall continue to
24 exercise the commissioner's authority to oversee the market regulation of the
25 activities of the insurer in accordance with the provisions of the state's
26 law. The commissioner's enforcement of compliance with the compact is
27 governed by the following provisions:

28 1. With respect to the commissioner's market regulation of a product or
29 advertisement that is approved or certified to the commission, the content of
30 the product or advertisement shall not constitute a violation of the
31 provisions, standards or requirements of the compact except on a final order
32 of the commission, issued at the request of a commissioner after prior notice
33 to the insurer and an opportunity for hearing before the commission.

34 2. Before a commissioner may bring an action for violation of any
35 provision, standard or requirement of the compact relating to the content of
36 an advertisement not approved or certified to the commission, the commission,
37 or an authorized commission officer or employee, must authorize the action.
38 Authorization under this paragraph does not require notice to the insurer,
39 opportunity for hearing or disclosure of requests for authorization or records
40 of the commission's action on such requests.

41 Article IX

42 Dispute Resolution

43 On the request of a member, the commission shall attempt to resolve any
44 disputes or other issues that are subject to this compact and that may arise
45 between two or more compacting states, or between compacting states and

1 noncompacting states, and the commission shall adopt an operating procedure
2 providing for resolution of such disputes.

3 Article X

4 Product Filing and Approval

5 A. Insurers and third-party filers seeking to have a product approved
6 by the commission shall file the product with, and pay applicable filing fees
7 to, the commission. This compact does not restrict or otherwise prevent an
8 insurer from filing its product with the insurance department in any state
9 wherein the insurer is licensed to conduct the business of insurance, and such
10 filing shall be subject to the laws of the states where filed.

11 B. The commission shall establish appropriate filing and review
12 processes and procedures pursuant to commission rules and operating
13 procedures. The commission shall adopt rules to establish conditions and
14 procedures under which the commission will provide public access to product
15 filing information. In establishing such rules, the commission shall consider
16 the interests of the public in having access to such information, as well as
17 protection of personal medical and financial information and trade secrets,
18 that may be contained in a product filing or supporting information.

19 C. Any product approved by the commission may be sold or otherwise
20 issued in those compacting states for which the insurer is legally authorized
21 to do business.

22 Article XI

23 Review of Commission Decisions Regarding Filings

24 A. Not later than thirty days after the commission has given notice of
25 a disapproved product or advertisement filed with the commission, the insurer
26 or third-party filer whose filing was disapproved may appeal the determination
27 to a review panel appointed by the commission. The commission shall adopt
28 rules to establish procedures for appointing the review panels and provide for
29 notice and hearing. An allegation that the commission, in disapproving a
30 product or advertisement filed with the commission, acted arbitrarily,
31 capriciously or in a manner that is an abuse of discretion or otherwise not in
32 accordance with the law, is subject to judicial review in accordance with
33 article III, subsection D of this compact.

34 B. The commission shall have authority to monitor, review and
35 reconsider products and advertisement subsequent to their filing or approval
36 on a finding that the product does not meet the relevant uniform
37 standard. Where appropriate, the commission may withdraw or modify its
38 approval after proper notice and hearing, subject to the appeal process in
39 subsection A of this article.

40 Article XII

41 Finance

42 A. The commission shall pay or provide for the payment of the
43 reasonable expenses of its establishment and organization. To fund the cost
44 of its initial operations, the commission may accept contributions and other
45 forms of funding from the national association of insurance commissioners,

1 compacting states and other sources. Contributions and other forms of funding
2 from other sources shall be of such a nature that the independence of the
3 commission concerning the performance of its duties shall not be compromised.

4 B. The commission shall collect a filing fee from each insurer and
5 third-party filer filing a product with the commission to cover the cost of
6 the operations and activities of the commission and its staff in a total
7 amount sufficient to cover the commission's annual budget.

8 C. The commission's budget for a fiscal year shall not be approved
9 until it has been subject to notice and comment as set forth in article VII of
10 this compact.

11 D. The commission shall be exempt from all taxation in and by the
12 compacting states.

13 E. The commission shall not pledge the credit of any compacting state,
14 except by and with the appropriate legal authority of that compacting state.

15 F. The commission shall keep complete and accurate accounts of all its
16 internal receipts, including grants and donations, and disbursements of all
17 funds under its control. The internal financial accounts of the commission
18 shall be subject to the accounting procedures established under its
19 bylaws. The financial accounts and reports including the system of internal
20 controls and procedures of the commission shall be audited annually by an
21 independent certified public accountant. On the determination of the
22 commission, but no less frequently than every three years, the review of the
23 independent auditor shall include a management and performance audit of the
24 commission. The commission shall make an annual report to the governor and
25 legislature of the compacting states, which shall include a report of the
26 independent audit. The commission's internal accounts shall not be
27 confidential and such materials may be shared with the commissioner of any
28 compacting state on request. Any work papers related to any internal or
29 independent audit and any information regarding the privacy of individuals and
30 insurers' proprietary information, including trade secrets, shall remain
31 confidential.

32 G. A compacting state does not have any claim to or ownership of any
33 property held by or vested in the commission or to any commission funds held
34 under this compact.

35 Article XIII

36 Compacting States, Effective Date and Amendment

37 A. Any state is eligible to become a compacting state.

38 B. The compact shall become effective and binding on legislative
39 enactment of the compact into law by two compacting states. The commission
40 shall become effective for purposes of adopting uniform standards for,
41 reviewing and giving approval or disapproval of products filed with the
42 commission that satisfy applicable uniform standards only after twenty-six
43 states are compacting states or, alternatively, by states representing greater
44 than forty percent of the premium volume for life insurance, annuity,
45 disability income and long-term care insurance products, based on records of

1 the national association of insurance commissioners for the prior
2 year. Thereafter, it shall become effective and binding as to any other
3 compacting state on enactment of the compact into law by that state.

4 C. Amendments to the compact may be proposed by the commission for
5 enactment by the compacting states. An amendment does not become effective
6 and binding on the commission and the compacting states unless and until all
7 compacting states enact the amendment into law.

8 Article XIV

9 Withdrawal, Default and Termination

10 A. Once effective, the compact shall continue in force and remain
11 binding on each and every compacting state. A compacting state may withdraw
12 from the compact by enacting a statute specifically repealing the statute that
13 enacted the compact into law.

14 B. The effective date of withdrawal is the effective date of the
15 repealing statute. The withdrawal shall not apply to any product filings
16 approved or self-certified, or any advertisement of such products, on the date
17 the repealing statute becomes effective, except by mutual agreement of the
18 commission and the withdrawing state unless the approval is rescinded by the
19 withdrawing state as provided in subsection E of this article.

20 C. The commissioner of the withdrawing state shall immediately notify
21 the management committee in writing on the introduction of legislation
22 repealing the compact in the withdrawing state.

23 D. The commission shall notify the other compacting states of the
24 introduction of such legislation within ten days after its receipt of notice
25 thereof.

26 E. The withdrawing state is responsible for all obligations, duties and
27 liabilities incurred through the effective date of withdrawal, including any
28 obligations, the performance of which extend beyond the effective date of
29 withdrawal, except to the extent those obligations may have been released or
30 relinquished by mutual agreement of the commission and the withdrawing
31 state. The commission's approval of products and advertisement before the
32 effective date of withdrawal shall continue to be effective and be given full
33 force and effect in the withdrawing state, unless formally rescinded by the
34 withdrawing state in the same manner as provided by the laws of the
35 withdrawing state for the prospective disapproval of products or advertisement
36 previously approved under state law.

37 F. Reinstatement following withdrawal of any compacting state shall
38 occur on the effective date of the withdrawing state reenacting the compact.

39 G. If the commission determines that any compacting state has at any
40 time defaulted in the performance of any of its obligations or
41 responsibilities under the compact, the bylaws or adopted rules or operating
42 procedures, after notice and hearing as set forth in the bylaws, all rights,
43 privileges and benefits conferred by the compact on the defaulting state shall
44 be suspended from the effective date of default as fixed by the
45 commission. The grounds for default include failure of a compacting state to

1 perform its obligations or responsibilities and any other grounds designated
2 in commission rules. The commission shall immediately notify the defaulting
3 state in writing of the defaulting state's suspension pending a cure of the
4 default. The commission shall stipulate the conditions and the time period
5 within which the defaulting state must cure its default. If the defaulting
6 state fails to cure the default within the time period specified by the
7 commission, the defaulting state shall be terminated from the compact and all
8 rights, privileges and benefits conferred by the compact shall be terminated
9 from the effective date of termination.

10 H. Product approvals by the commission or product self-certifications,
11 or any advertisement in connection with such product, that are in force on the
12 effective date of termination shall remain in force in the defaulting state in
13 the same manner as if the defaulting state had withdrawn voluntarily under
14 this article.

15 I. Reinstatement following termination of any compacting state requires
16 a reenactment of the compact.

17 J. The compact dissolves effective on the date of the withdrawal or
18 default of the compacting state that reduces membership in the compact to one
19 compacting state. On the dissolution of the compact, the compact becomes null
20 and void and shall be of no further force or effect, and the business and
21 affairs of the commission shall be wound up and any surplus funds shall be
22 distributed in accordance with the bylaws.

23 Article XV

24 Binding Effect of Compact and Other Laws

25 A. The compact does not prevent the enforcement of any other law of a
26 compacting state, except as provided in subsection B of this article.

27 B. For any product approved or certified to the commission, the rules,
28 uniform standards and any other requirements of the commission shall
29 constitute the exclusive provisions applicable to the content, approval and
30 certification of such products. For advertisement that is subject to the
31 commission's authority, any rule, uniform standard or other requirement of the
32 commission that governs the content of the advertisement shall constitute the
33 exclusive provision that a commissioner may apply to the content of the
34 advertisement. No action taken by the commission shall abrogate or restrict
35 any of the following:

36 1. The access of any person to state courts.

37 2. Remedies available under state law related to breach of contract,
38 tort or other laws not specifically directed to the content of the product.

39 3. State law relating to the construction of insurance contracts.

40 4. The authority of the attorney general of the state, including
41 maintaining any actions or proceedings, as authorized by law.

42 C. All insurance products filed with individual states shall be subject
43 to the laws of those states.

1 D. All lawful actions of the commission, including all rules and
2 operating procedures adopted by the commission, are binding on the compacting
3 states.

4 E. All agreements between the commission and the compacting states are
5 binding in accordance with their terms.

6 F. On the request of a party to a conflict over the meaning or
7 interpretation of commission actions, and on a majority vote of the compacting
8 states, the commission may issue advisory opinions regarding the meaning or
9 interpretation in dispute.

10 G. If any provision of the compact exceeds the constitutional limits
11 imposed on the legislature of any compacting state, the obligations, duties,
12 powers or jurisdiction sought to be conferred by that provision on the
13 commission shall be ineffective as to that compacting state, and those
14 obligations, duties, powers or jurisdiction shall remain in the compacting
15 state and shall be exercised by the agency thereof to which those obligations,
16 duties, powers or jurisdiction are delegated by law in effect at the time the
17 compact becomes effective.

18 Article XVI

19 Severability and Construction

20 A. If any provision of this compact or its application to any person or
21 circumstance is held invalid, the remainder of the compact or the application
22 of the provision to other persons or circumstances is not affected.

23 B. This compact shall be liberally construed to effectuate its
24 purposes.

25 Sec. 16. Section 44-282, Arizona Revised Statutes, is amended to
26 read:

27 44-282. Licensing of sales finance companies required; penalty

28 A. A person shall not engage in the business of a sales finance company
29 in this state without a sales finance company license as provided in this
30 article. A motor vehicle dealer shall not sell or transfer any contract to a
31 person in this state not licensed under the terms of this chapter.

32 B. The application for a license shall be in writing, under oath and in
33 the form prescribed by the administrator. The application shall contain the
34 name of the applicant, the date of incorporation if incorporated, the address
35 where the business is or is to be conducted and similar information as to any
36 branch office of the applicant, the name and resident address of the owners or
37 partners or, if a corporation or association, of the directors, trustees and
38 principal officers, and such other pertinent information the administrator may
39 require.

40 C. The license fee for a sales finance company is the fee prescribed in
41 section 6-126.

42 D. To coincide with the licensing of motor vehicle dealers pursuant to
43 title 28, chapter 10, the administrator may issue a sales finance company
44 license pursuant to this article with staggered ~~continuation~~ RENEWAL dates to
45 distribute the ~~continuation~~ RENEWAL workload as uniformly as practicable

1 throughout the twelve months of the calendar year. In order to initiate a
2 staggered license ~~continuation~~ RENEWAL system, the administrator may issue a
3 license for more or less than a twelve-month period, but not more than
4 eighteen months, and may prorate the license fee.

5 E. A licensee shall submit its renewal application and applicable
6 renewal fees to the department of insurance and financial institutions on or
7 before ~~the license continuation date~~ DECEMBER 31 OF EACH YEAR. ~~For the~~
8 ~~purposes of renewal, the license continuation date is as follows:~~

9 ~~1. If the licensee is also a licensed motor vehicle dealer pursuant to~~
10 ~~title 28, chapter 10, the date prescribed by the initial licensing department,~~
11 ~~either the department of transportation or the department of insurance and~~
12 ~~financial institutions.~~

13 ~~2. If the licensee is not also a licensed motor vehicle dealer pursuant~~
14 ~~to title 28, chapter 10, the date prescribed by the department of insurance~~
15 ~~and financial institutions.~~

16 F. A penalty of \$25 per day shall be assessed against any licensee for
17 each day after the license ~~continuation~~ RENEWAL date that the licensee's
18 renewal application and fee are not received by the department of insurance
19 and financial institutions. Licenses not renewed within thirty days after
20 their license ~~continuation~~ RENEWAL date expire.

21 G. A license shall be obtained for each separate place of business at
22 or from which a licensee transacts business. Each license shall specify the
23 location of the office or branch and must be conspicuously displayed
24 there. If such location is changed, the administrator shall endorse the
25 change of location on the license on the payment of the fee prescribed in
26 section 6-126, subsection A.

27 H. On the filing of the application and the payment of the required
28 fee, the administrator shall issue a license to the applicant to engage in the
29 business of a sales finance company under and in accordance with this
30 article. All licenses issued under this article shall remain in full force
31 and effect until surrendered, revoked, suspended or canceled by failure to
32 renew under this article. A licensee shall not transact any business provided
33 for by this article without using the license name or other assumed name or
34 trade name that is submitted to the department pursuant to section 6-117.

35 I. A license is not transferable or assignable and control of a
36 licensee may not be acquired through a stock purchase or any other device
37 without the prior written consent of the administrator. Written consent shall
38 not be given if the administrator finds that any of the grounds for denial,
39 revocation or suspension of a license as set forth in section 44-283 are
40 applicable to the acquiring person. For the purposes of this subsection,
41 "control" means the power to vote more than twenty percent of the outstanding
42 voting shares of a licensed corporation, partnership, association or trust.

43 J. A person doing business under the laws of this state or the United
44 States as a bank, savings bank, savings and loan association or credit union
45 is exempt from the licensing requirements of this section but shall comply

1 with all other requirements of this chapter, except that affiliates of banks,
2 savings banks, savings and loan associations or credit unions shall comply
3 with this section. For the purposes of this subsection, "affiliate" means an
4 entity that directly or indirectly, through one or more intermediaries,
5 controls, is controlled by or is under common control with the entity
6 specified.

7 Sec. 17. License renewal date December 31, 2025; retroactivity

8 A. A holder of a current, active license that was issued by the
9 department of insurance and financial institutions pursuant to sections 6-604,
10 6-707, 6-815 and 6-1305, Arizona Revised Statutes, as amended by this act, and
11 that is subject to renewal by either June 30, 2025 or September 30, 2025 does
12 not have to renew that license until December 31, 2025.

13 B. A holder of a current, active sales finance company license pursuant
14 to section 44-282, Arizona Revised Statutes, as amended by this act, does not
15 have to renew the sales finance company license until December 31, 2025.

16 C. Sections 6-604, 6-707, 6-815, 6-1305 and 44-282, Arizona Revised
17 Statutes, as amended by this act, apply retroactively to from and after
18 December 31, 2024.