ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

COMMITTEE ON REGULATORY AFFAIRS

Report of Regular Meeting
Monday, March 2, 2020
House Hearing Room 5 -- 2:00 P.M.

MINUTES RECEIVED
CHIEF CLERK'S OFFICE
3-3-20

Convened 3:57 P.M.
Adjourned 4:38 P.M.

Members Present
Mr. Blackman
Ms. Powers Hannley
Mr. Shah
Mrs. Terán
Mr. Toma
Mr. Roberts, Vice-Chairman
Mr. Grantham, Chairman

Members Absent

Agenda
Original Agenda – Attachment 1

Request to Speak
Report – Attachment 2

Committee Attendance
Report – Attachment 3

Committee Action

Bill	Action	Vote	Attachments
SB1039	HELD		
SB1131	DP	7-0-0-0	4,5
SB1294	DP	7-0-0-0	6,7
SB1040	DPA	7-0-0-0	8,9,10
SB1038	DP	7-0-0-0	11,12
SB1041	DP	7-0-0-0	13,14
SB1062	DP	7-0-0-0	15,16
SB1090	DP	7-0-0-0	17,18
SB1091	DP	7-0-0-0	19,20
SB1213	DP	7-0-0-0	21,22
SB1557	DP	5-2-0-0	23,24

Susan Hite
Susan Hite, Committee Secretary
March 3, 2020

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

Conv. 3:57pm

Adj. 4:38pm

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON REGULATORY AFFAIRS

DATE Monday, March 2, 2020 ROOM HHR 5 TIME 2:00 P.M.

Members:

Mr. Blackman
Ms. Powers Hannley
Mr. Shah
Mrs. Terán
Mr. Toma
Mr. Roberts, Vice-Chairman
Mr. Grantham, Chairman

Bills		Short Title	Strike Everything Title
4 *SB1038	dp	insurance policies; transfers; affiliated insurers (Livingston)	
	7-0-0-0		
*SB1039	Held	home service warranty contracts (Livingston)	
3 *SB1040	dpa	insurers; notices; methods of delivery (Livingston)	
	7-0-0-0		
5 *SB1041	dp	travel insurance (Livingston)	
	7-0-0-0		
6 *SB1062	dp	insurance transactions; discrimination; exceptions (Livingston)	
	7-0-0-0		
7 *SB1090	dp	insurance adjusters; claims certificate (Livingston)	
	7-0-0-0		
8 *SB1091	dp	insurance producer licensing; surrender; application (Livingston)	
	7-0-0-0		

Attachment 1

Bills	Short Title	Strike Everything Title
1 *SB1131	dp (Gray)	certified public accountants
	7-0-0-0	
9 *SB1213	dp (Livingston)	appropriation; actuarial study; reinsurance feasibility
	7-0-0-0	
2*SB1294	dp (Mesnard)	insurance and financial institutions; continuation
	7-0-0-0	
10 *SB1557	dp (Livingston)	annuity transactions; requirements
	5-2-0-0	

* If first read and assigned

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

sh
02/25/2020

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

Information Registered on the Request to Speak System

House Regulatory Affairs (3/2/2020)

SB1131, certified public accountants

Support:

Ryan DeMenna, AZ SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS; Monica Petersen, AZ STATE BOARD OF ACCOUNTANCY; John Baumer, AZ SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

SB1294, insurance and financial institutions; continuation

Support:

Ellen Poole, Executive Director, SW Region Govt Relations, American Property & Casualty Insurers; Jen Springman, GREATER PHOENIX CHAMBER OF COMMERCE; Kerry L. Hayden, UNITED SERVICES AUTOMOBILE ASSN (USAA); Shannon Whiteaker, CSAA INSURANCE; Stephen Briggs, Arizona Department Of Insurance

SB1040, insurers; notices; methods of delivery

Testified in support:

Marc Osborn, Chubb Insurance And Nationwide

Support:

Ellen Poole, Executive Director, SW Region Govt Relations, American Property & Casualty Insurers; Kerry L. Hayden, UNITED SERVICES AUTOMOBILE ASSN (USAA); Daniel Romm, ALLSTATE INSURANCE CO, American Family Insurance, Chubb Insurance , FARMERS INSURANCE GROUP OF COMPANIES, GOVERNMENT EMPLOYEES INSURANCE COMPANY (GEICO), LIBERTY MUTUAL INSURANCE GROUP, NATIONWIDE MUTUAL INSURANCE COMPANY

SB1038, insurance policies; transfers; affiliated insurers

Testified in support:

Marc Osborn, Chubb Insurance , Geico; Liberty Mutual Insurance; Nationwide Insurance

Support:

Kerry L. Hayden, UNITED SERVICES AUTOMOBILE ASSN (USAA); Daniel Romm, ALLSTATE INSURANCE CO, American Family Insurance, Chubb Insurance , FARMERS INSURANCE GROUP OF COMPANIES, GOVERNMENT EMPLOYEES INSURANCE COMPANY (GEICO), LIBERTY MUTUAL INSURANCE GROUP, NATIONWIDE MUTUAL INSURANCE COMPANY

Attachment 2

SB1041, travel insurance

Testified in support:

J. Michael Low, AMERICAN INTERNATIONAL GROUP INC (AIG)

Support:

Ellen Poole, Executive Director, SW Region Govt Relations, American Property & Casualty Insurers

SB1062, insurance transactions; discrimination; exceptions

Testified in support:

J. Michael Low, AMERICAN COUNCIL OF LIFE INSURERS (ACLI), METROPOLITAN LIFE INSURANCE CO (METLIFE), PRUDENTIAL FINANCIAL INC

Oppose:

Becky Sayler, representing self

SB1090, insurance adjusters; claims certificate

Testified in support:

Marc Osborn, Claims And Litigation Alliance

Support:

Emily Rice, AZ SELF-INSURERS ASSOC; Daniel Romm, Claims And Litigation Alliance

SB1091, insurance producer licensing; surrender; application

Support:

Jeff Sandquist, Big I; Wendy Briggs, Big I; Lanny Hair, Independent Ins. Agents & Brokers Of Az; Stephen Briggs, Arizona Department Of Insurance

SB1213, appropriation; actuarial study; reinsurance feasibility

Testified in support:

Marc Osborn, AMERICA'S HEALTH INSURANCE PLANS (AHIP)

Support:

Elizabeth Hatch, AETNA INC

SB1557, annuity transactions; requirements

Testified in support:

J. Michael Low, AMERICAN COUNCIL OF LIFE INSURERS (ACLI), PRUDENTIAL FINANCIAL INC

Testified as opposed:

Melissa Kemp, representing self

Support:

Kerry L. Hayden, UNITED SERVICES AUTOMOBILE ASSN (USAA); Courtney Coolidge, AZ CHAMBER OF COMMERCE

All Comments:

Melissa Kemp, Self: SB1557 disclaims fiduciary status 4 agents & companies in annuity transactions. It relies heavily on disclosure, criticized by consumer groups as insufficient mitigation for managing conflicts of interest. AZ consumers are not better off, confusion

SB1039, home service warranty contracts

Support:

Daniel Romm, National Home Service Contract Association

ARIZONA STATE LEGISLATURE

Fifty-fourth Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON REGULATORY AFFAIRS

CHAIRMAN: Travis W. Grantham VICE-CHAIRMAN: Bret Roberts

					SPECIAL
DATE	1/27 /20	2/10 /20	2/10 /20	2/17 /20	3/2 /20
CONVENED	2:07 pm	2:39 pm	3:13 pm	3:41 pm	3:57 pm
RECESSED					
RECONVENED					
ADJOURNED	3:32 pm	3:13 pm	3:56 pm	6:39 pm	4:38 pm
MEMBERS					
Blackman	✓	✓	✓	✓	✓
Powers Hannley	✓	✓	✓	✓	✓
Shah	✓	✓	✓	✓	✓
Terán	✓	✓	✓	✓	✓
Toma	✓	✓	✓	✓	✓
Roberts, Vice-Chairman	✓	✓	✓	✓	✓
Grantham, Chairman	✓	✓	✓	✓	✓

√ Present — Absent exc Excused

Attachment 3

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

SENATE: COM DP 5-0-3-0 | 3rd Read 29-0-1-0

SB 1131: certified public accountants
Sponsor: Senator Gray, LD 21
Committee on Regulatory Affairs

Overview

Modifies Certified Public Accountants (CPA) requirements regarding firm registration, registration expiration and reinstatement.

History

Certified public accountant (CPA) means an individual who has been issued a certificate of authority by the board to practice as a certified public accountant or who meets the limited reciprocity privilege requirements (A.R.S. § 32-701).

An individual whose certificate status expires or is relinquished or revoked can request for the certificate to be reinstated if the individual meets specified requirements, including at least thirty semester hours of accounting-related courses (A.R.S. § 32-732).

The Arizona Board of Accountancy (Board) can employ an Executive Director (Director) to administer and enforce statute governing a CPA (A.R.S. § 32-703).

A partnership, corporation or other entity formed under the laws of another jurisdiction relating to the practice of accounting in that jurisdiction may use the CPA designation in this state and may engage in the practice of accounting in this state (A.R.S. § 32-725).

A registrant's certificate or registration is expired if the registrant fails to reinstate the certificate or registration within twelve months after it has been suspended or has been on inactive status for more than six years (A.R.S. § 32-730-03)

Provisions

1. Modifies the definition of *related courses* to include other courses that are closely related to the subject of accounting or that are satisfactory to the Board. (Sec. 1)
2. Allows the Board to delegate to the Director the authority to approve a request for continuing professional education reciprocity. (Sec. 2)
3. Allows a business organization, rather than just a partnership or corporation, of another jurisdiction to use the CPA designation in this state and engage in the practice of accounting without having to register as a firm provided certain criteria are met. (Sec. 3)
4. States that a CPA's certificate or registration is expired if the CPA fails to meet registration requirements for a firm and is not granted or exhausts an extension of time to comply with firm registration requirements. (Sec. 5)
5. Adds to the criteria regarding firm registration fees to include an individual who uses a CPA designation, unless the name used is the name of the individual as registered with the Board. (Sec. 7)

☐ Prop 105 (45 votes)	☐ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

6. Removes language relating to the Board revoking a firm's registration if the firm is not qualified and has not been granted a time extension to comply with the requirements. (Sec. 9)
7. States that a registrant, individual or firm that qualifies for the limited reciprocity privilege must be known as a CPA or a CPA firm and can use the CPA designation with the exact name as registered with the Board. (Sec. 10)
8. Makes technical and conforming changes. (Sec. 1, 3-10)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1131

DATE March 02, 2020 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 5

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DP 9-0-1-0 | 3rd Read 26-0-4-0

SB 1294: insurance and financial institutions; continuation
Sponsor: Senator Mesnard, LD 17
Committee on Regulatory Affairs

Overview
Continues the Arizona Department of Insurance and Financial Institutions (DIFI) for five years.

History
Pursuant to A.R.S. § 41-2953, the Joint Legislative Audit Committee assigned the sunset review of the Arizona Department of Insurance (Department) to the Senate Finance and the House of Representatives Regulatory Affairs Committee of Reference (COR). The Senate Commerce COR met on December 17, 2019 and recommended that DIFI be continued for five years, until July 1, 2025. The House Regulatory Affairs COR met on January 16, 2020 and recommended that DOI be continued for five years.

Laws 2019, Chapter 252 merged the Arizona Department of Financial Institutions and the Automobile Theft Authority as divisions within the Department. The Department was also renamed the Arizona Department of Insurance and Financial Institutions, effective July 1, 2020. The Department was most recently continued for 10 years pursuant to Laws 2010, Chapter 13.

Provisions
1. Continues DIFI until July 1, 2025. (Sec. 2)
2. Repeals, subject to voter approval, DIFI on January 1, 2026. (Sec. 2)
3. Contains a purpose clause. (Sec. 3)
4. Contains a retroactivity clause of July 1, 2020. (Sec. 4)

Attachment 6

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1294

DATE March 02, 2020 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hete
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 7

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DPA 9-0-1-0 | 3rd Read 30-0-0-0

SB 1040: insurers; notices; methods of delivery
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview
Clarifies that an insurer can *send* correspondence by means other than mail.

History
All required insurance transaction notices or documents (Notice) that serve as evidence of insurance coverage may be delivered, stored and presented by electronic means. An insurer must obtain distinct advanced electronic consent before delivering a Notice by electronic means to a party (A.R.S. § 20-239).

Every insurer writing automobile liability or motor vehicle liability policies must make available to the named insured uninsured and underinsured motorist coverage. The offer must be made to the named insured or applicant at the time of the application (A.R.S. § 20-259.01).

A notice of cancellation, nonrenewal or reduction of limits of liability or coverage for reasons other than nonpayment by the insurer to the policy holder must be mailed, and the insurer must obtain proof of United States Post Office (USPS). shipping method using intelligent mail barcode or another similar, approved USPS tracking method (A.R.S. § 20-1632) & (A.R.S. § 20-1676).

Provisions
1. States that if a notice or correspondence is *sent* by mail or electronic means, the insurer must send the notice or correspondence to the recipients last known mailing address or email address. (Sec. 2)
2. Replaces the requirement that a communication, notice or correspondence be *sent* rather than mailed. (Sec. 3, 4, 6-30)
3. Removes the requirement that every insurer writing automobile or motor vehicle liability policies must offer uninsured and underinsured motorist coverage to an insured or applicant at the time of the application. (Sec. 5)
4. Removes the requirement that a specified insurer obtain proof of mailing by U.S. certified mail, U.S. post office certificate of mailing, first class mail or another similar tracking method when a notice of cancelation or reduction in specified insurance is mailed to the insured. (Sec. 12, 18)
5. Removes the requirement that a specified insurer mail a notice of cancellation or nonrenewal at the policyholder's last address on record with the insurer by first class mail. (Sec. 13, 14, 15)
6. States that any method of proof retained by the specified insurer for sending a notice of cancellation by any method other than by mail is sufficient. (Sec. 16, 20)

☐ Prop 105 (45 votes)	☐ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

7. Requires a health care insurer to provide a member access to a copy of their information packet on its website. (Sec. 24)
8. Defines *send*, *sending* or *sent* means to deliver by the U.S. mail, personal delivery, fax or by electronic means. (Sec. 1)
9. Makes a conforming change. (Sec. 1)
10. Makes technical changes. (Sec. 3, 4, 8, 10- 25, 27, 29)

Fifty-fourth Legislature
Second Regular Session

Regulatory Affairs
S.B. 1040

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1040

(Reference to Senate engrossed bill)

Page 2, lines 14 and 15, strike "~~pursuant to section 20-1632~~" insert "pursuant to section 20-1632"

Amend title to conform

TRAVIS W. GRANTHAM

1040GRANTHAM
02/26/2020
02:59 PM
H: JR/ls

Attachment 9

Adopted ✓ # of Verbals _____
Failed _____ Withdrawn _____
Not Offered ____ Analysts Initials JR

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1040

DATE March 02, 2020 MOTION: dpa

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 10

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DP 9-0-1-0 | 3rd Read 30-0-0-0

SB 1038: insurance policies; transfers; affiliated insurers
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview

States that an insurer can transfer any of its insurance policies, without it being considered a nonrenewal, to an affiliated insurer.

History

For an insurance policy renewal, or a new policy that has been in effect for sixty days, a notice of cancellation must be based on specified occurrences that transpire after the effective date of the policy. If an occurrence meets the outlined conditions and an insurer does not renew a policy, the insured must be given 30 days' notice to remedy the identified conditions. If remedied, coverage must be renewed; If not remedied, the insured may pay the premium and be given an additional 30 days to meet satisfactory conditions (A.R.S. § 20-1652).

If an insurer does not mail or deliver a notice of its intention to not renew a policy to the named insured at the address shown in the policy, the insurer must renew the policy on the effective date of the renewal, upon payment of the premium. (A.R.S. § 20-1654)

Provisions

1. States that nonrenewal does not include the issuance and delivery of a new policy within the same insurer or an insurer under the same ownership or management as the original insurer. (Sec. 1, 2)
2. Allows an insurer to transfer any of its policies to an affiliated insurer. (Sec. 1, 2)
3. Restricts an insurer from transferring a policyholder on the basis of the policyholder's location of residence, age, race, color, religion, sex, national origin or ancestry. (Sec. 1, 2)
4. States that in the occurrence of a transfer, this insurer is not allowed to apply a new unrestricted 60-day period for cancellation or nonrenewal. (Sec. 1, 2)
5. Makes technical and conforming changes. (Sec. 1, 2)

Attachment 11

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1038

DATE March 02, 2020 MOTION: do

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 12

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DP 8-1-1-0 | 3rd Read 27-2-1-0

SB 1041: travel insurance
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview

Adds Chapter 28 (Travel Insurance) to Title 20 (Insurance) statutes. Outlines the following regarding the "Travel Insurance Model Act" (Act): premium tax, travel protection plans, sales practices, travel administrators and travel insurance classification.

History

Travel insurance (TI) means insurance coverage for personal risks incident to planned travel including:

1) Interruption or cancellation of a trip or event;
2) Loss of baggage or personal effects;
3) Damages to accommodations or rental vehicles; and
4) Sickness, accident, disability or death occurring during travel.

TI does not include major medical plans, which provide comprehensive medical protection for travelers with trips lasting six months or longer, including those working overseas as expatriates or military personnel being deployed (A.R.S. § 20-333).

A travel retailer (Retailer) may offer and issue TI under a limited lines travel insurance producer (Producer) business entity license if the Producer meets the statutory requirements. Producers and those registered under the Producer's license are exempt from the examination requirements and continuing education requirements (A.R.S. § 20-333).

Provisions

Premium Tax (Sec. 4)

1. States that a travel insurer must pay premium tax on TI premiums paid by the following who reside in this state:
   a) An individual primary policy holder;
   b) A primary certificate holder who elects coverage under a group TI policy; and
   c) A blanket TI policy holder that meets certain specified conditions.
2. Requires a travel insurer to:
   a) Document the state of residence or principal place of business of the policy or certificate holder (PCH); and
   b) Report only the premium amount allocable to TI and not the amounts received for travel assistance services or cancellation fee waivers.

Travel Protection Plans (Sec. 4)

3. States that travel protection plans (Plan) can be offered for one price for the combined features if both:
   a) The Plan clearly discloses, at or before the time of purchase, that it includes travel insurance, travel assistance services and cancellation fee waivers (Features);

i. Additional information regarding the Features and pricing of each Plan must also be included; and

b) The fulfillment materials (FM) both;
   i. Describe and delineate the Features in the Plan; and
   ii. Include the TI disclosures and the contact information for persons providing travel assistance services and cancellation fee waivers.

Sales Practices (Sec. 4)

4. States that all persons offering TI in this state are subject to unfair trade practices (UTP) and fraud.
   a) States that if a conflict exists between the Act and another provision under the Insurance statutes regarding the sale of TI, the Act controls.
5. States that offering or selling a TI policy that could never result in payment of any claims is a UTP.
6. Requires all documents provided to consumers before the purchase of TI to be consistent with the TI policy.
7. Requires TI policies that contain preexisting condition exclusions to provide information regarding the preexisting condition exclusions before the time of purchase and in the coverages FM.
8. Requires the FM and specified information to be provided to a PCH as soon as practicable following the purchase of a Plan, unless the insured has either started a covered trip or filed a claim.
9. States that a PCH may cancel a policy or certificate for a full refund of the Plan price from the date of purchase of the Plan until at least either:
   a) 15 days after the date of delivery of the Plan's FM by postal mail; or
   b) 10 days after the date of delivery of the Plan's FM by means other than postal mail.
10. Requires the policy documentation and the FM to disclose whether the travel insurance is primary or secondary to other applicable coverage.
11. States that if TI is marketed directly on an insurer's website or through an aggregator website, it is not a UTP or violation of law, if an accurate summary or description of the coverage is provided and the full provisions of the policy are available for the consumer through electronic means.
12. Prohibits a person from offering, soliciting or negotiating TI or Plans on an individual or group basis by using an opt out option that requires a consumer to deselect coverage, such as unchecking a box on an electronic form, when the consumer purchases a trip.
13. States that it is a UTP to market blanket TI coverage as free.
14. States that if a consumer's destination requires insurance coverage, it is not a UTP to require a consumer to choose between the following options as a condition of purchasing a trip or travel package:
   a) Purchasing the coverage through the Retailer or limited lines Producer supplying the trip or travel package; or
   b) Agreeing to obtain and provide proof of coverage that meets the destination's requirements before departure.

Travel Administrators (Sec. 4)

15. Prohibits a person from acting or representing itself as a travel administrator (TA) for TI in this state unless the person either:

a) Is a licensed property and casualty insurance producer for activities allowed under that producer license; or
b) Holds a valid managing general agent license in this state.

16. Exempts a TA and its employees from the licensing requirements for travel it administers.
17. States that an insurer that underwrites TI is responsible for the acts of the TA administering the TI.
    a) States that the insurer must ensure that the TA maintains all books and records relevant to the insurer and make the books and records available to the Director of the Department of Insurance upon request.

Classification (Sec. 4)

18. States that TI is classified and filed under an inland marine line of insurance for purposes of rate and forms.
19. States that a TI that provides coverage for sickness, accident, disability or death occurring during travel, either exclusively or in conjunction with related coverages, may be filed under either:
    a) An accident and health line of insurance; or
    b) An inline marine line of insurance.
20. States that TI may be an individual, group or blanket policy.
21. States that eligibility and underwriting standards for TI may be developed based on Plans that are designed for individual or identified marketing or distribution channels, if those standards also meet the state underwriting standards for inland marine.

Miscellaneous

22. Transfers existing statute relating to Producer licensing to the Act. (Sec. 3)
23. States that this act may be cited as the "Travel Insurance Model Act" (Sec. 5)
24. Contains a purpose and applicability clause. (Sec. 2)
25. Defines pertinent terms. (Sec. 2)
26. Makes conforming changes. (Sec. 1, 3)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1041

DATE March 02, 2020 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 14

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DPA 10-0-0-0 | 3rd Read 30-0-0-0

SB 1062: insurance transactions; discrimination; exceptions
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview

Allows a life insurer (Insurer) to offset expenses that a group policyholder or employer incurs using implementation credits under certain conditions.

History

Statute does not include in the definitions of discrimination or rebates on life or disability insurance the following practices:

1) Paying bonuses to life insurance or life annuity policy holders or premium abatements out of surplus accumulated from nonparticipating insurance, provided such bonuses and abatements are in the best interests of the Insurer and its policyholders;
2) Paying allowance to policyholders, who have made consistent premium payments directly to an office of the Insurer for a specified period, concerning life insurance policies issued on the industrial debit plan;
3) Readjustment of a group insurance policy premium rate due to loss or expense at the end of a policy year, which may be retroactive only for that policy year; and
4) Issuing life or disability policies on a salary savings or payroll deduction plan at a reduced rate proportionate with the savings of the plan (A.R.S. § 20-450).

Statute does not prohibit providing:

1) Rewards or incentives under a wellness program permitted under the Health Insurance Portability and Accountability Act of 1996 for group disability insurance and individual disability insurance; or
2) Products or services that supplement a life or disability insurance policy and are intended to minimize or prevent claims-related losses or expenses, to deter injury or death or to improve health of the insured (A.R.S. § 20-450).

Provisions

1. Allows the payments of implementation credits an Insurer makes to offset expenses that a group policyholder or employer incurs when the Insurer changes new or existing group coverage to do either of the following:
   a) Include implementation credits in the premium and then reimburse the policy holder;
      i. The life insurer must disclose to the policy holder whether implementation credits were included in the premium; or
   b) Pay for the implementation credits and provide appropriate disclosure in the group policy. (Sec. 1)
2. Adds to the list of products and services not prohibited to include those that enhance the financial wellness of the insured. (Sec. 1)
3. Defines *Life Insurance* to include disability income policies and supplemental benefits policies. (Sec. 1)

☐ Prop 105 (45 votes)	☐ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1062

DATE March 02, 2020 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 16

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DPA 10-0-0-0 | 3rd Read 30-0-0-0

SB 1090: insurance adjusters; claims certificate
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview

Waives the examination requirement for adjuster license applicants who hold a claims certificate that meets outlined criteria.

History

Adjuster is defined to include any person who adjusts, investigates or negotiates settlement of claims concerning property and casualty contracts on behalf of either the insured or the insurer, for compensation, fee or commission (A.R.S. § 20-321).

To be licensed as an Adjuster, a person must take and pass an examination that is given by or under the supervision of the Director of the Department of Insurance (DOI) and that reasonably tests the applicant's knowledge of insurance and legal responsibilities (A.R.S. § 20-321.01).

Provisions

1. Excludes from the definition of an adjuster an employee of a third-party administrator or self-insured employer who adjusts, investigates or negotiates settlement of only workers' compensations claims. (Sec. 1)
2. Removes the requirement for an adjuster license applicant to take and pass a DOI examination if the applicant holds a national or state-based claims certificate that consists of at least 40 hours of preexamination course work, a proctored examination of sufficient length to adequately determine the competency of the applicant and at least 24 hours of continuing education required for certification renewals on a biennial basis. (Sec. 2)
3. Makes technical and conforming changes. (Sec. 1, 2)

Attachment 17

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1090

DATE March 02, 2020 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 18

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DP 8-2-0-0 | 3rd Read 18-12-0-0

SB 1091: insurance producer licensing; surrender; application
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview

Allows a person who voluntarily surrenders their insurance producer license (License) to reapply for the same License within one year if the applicant complies with the same requirements.

History

A person who applies for a License must apply to the Director of the Department of Insurance (Director) and provide information concerning the applicant's identity, personal history, business record, experience in insurance and any document deemed necessary by the Director. The applicant must pay all required fees and pass examinations for the lines of authority for which the individual is applying (A.R.S. § 20-285).

A License continues until suspended, terminated or revoked by the Director, or it expires. A License that is issued or renewed expires every four years. A licensee may submit a written request to the Director to voluntarily surrender the licensee's authority to transact one or more lines of insurance, or their entire license. The licensee may not reapply for the same authority or license for at least one year after the date of the surrender (A.R.S. § 20-289).

Provisions

1. Removes the one-year wait period for a previous licensee to reapply for an authority or License that was previously surrendered. (Sec. 1)
2. States that a person who voluntarily surrenders their License can obtain the same License if the person complies with the requirements that apply to an initial license applicant. (Sec. 1)
3. Makes technical changes. (Sec. 1)

Attachment 19

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1091

DATE March 02, 2020 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 20

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

Senate: FIN DP 8-0-2-0 | 3rd Read 27-3-0-0

SB 1213: appropriation; actuarial study; reinsurance feasibility
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview

Appropriates $250,000 from the state General Fund (GF) to the Department of Insurance and Financial Institutions (DIFI) in fiscal year (FY) 2021 to conduct an actuarial study on the feasibility of establishing a reinsurance program to secure an innovation waiver.

History

The Patient Protection and Affordable Care Act (ACA) permits a state to apply for a State Innovation Waiver (Waiver) which allows states to implement innovative ways to access quality healthcare that is comprehensive, affordable and provides comparable coverage (42 U.S.C. § 18052).

Provisions

1. Appropriates $250,000 from the state General Fund to DIFI in fiscal year 2020-2021 to conduct an actuarial study to determine the feasibility of establishing a reinsurance program to secure a Waiver by the United States Secretary of Health and Human Services under the ACA. (Sec. 1)
2. Requires the actuarial study to:
   a) Consider insurance premiums and risks associated with individuals who are insured through a health exchange or marketplace under the ACA; and
   b) Review states with approved risk mitigation waivers and their corresponding funding obligations. (Sec. 1)
3. Mandates that DIFI include and consider stakeholder input on best practices, premium offsets and risk factors when determining the feasibility of establishing a Waiver. (Sec. 1)
4. Exempts the above appropriation from lapsing one month after the beginning of each fiscal year. (Sec. 1)

Attachment 21

☐ Prop 105 (45 votes)	☐ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1213

DATE March 02, 2020 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley		✓			
Shah		✓			
Terán		✓			
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		7	0	0	0

Susan Hite
COMMITTEE SECRETARY

APPROVED:

TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 22

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

SB 1557: annuity transactions; requirements
Sponsor: Senator Livingston, LD 22
Committee on Regulatory Affairs

Overview

Amends statutes relating to the duties of an insurer who recommends an annuity to a consumer.

History

In recommending the purchase or exchange of an annuity to a consumer that results in a transaction, an insurance producer (Producer) or insurer must have reasonable grounds for believing that the recommendation is suitable for the consumer based on the facts disclosed by the consumer as to the consumer's investments and other insurance products and as to the consumer's financial situation and needs. The Producer or insurer must make reasonable efforts to obtain information concerning the consumer's financial status, tax status, investment objectives and any other pertinent information. The Insurer does not have any obligation to the consumer if the consumer:

1) Refuses or fails to provide complete or accurate information; or
2) Decides to enter into an insurance transaction that is not based on the insurer's recommendation (A.R.S. § 20-1243.03).

The Director of the Department of Insurance (Director) may order a business entity that employs or contracts with a Producer to take reasonable corrective action for any consumer who is harmed by a violation on the part of the Producer (A.R.S. § 20-1243).

Before selling, soliciting or negotiating an annuity, a Producer with a life insurance line of authority must complete an approved four credit-hour training course. Annuity training courses may be conducted and completed by classroom or self-study methods in accordance with continuing education statute and rules of DOI. Completion of substantially similar training requirements of another state satisfy the requirements (A.R.S. § 20-1243.07).

Provisions

Duties of Insurers and Producers (Sec. 4)

1. States that when a Producer recommends an annuity (Recommendation), the Producer must act in the interest of the consumer under the circumstances known at the time of recommendation is made and without placing the Producer's financial interest ahead of the consumers.
2. Stipulates that the Producer has acted in the best interest of the consumer if the Producer has satisfied the obligations regarding care, disclosure, conflict of interest and documentation.
3. States that to satisfy the care obligation in making a Recommendation, the Producer must exercise reasonable diligence, care and skill to do all of the following:
   a) Know the consumer's financial situation, insurance needs and financial objectives (Situation);
   b) Understand the available recommended options;
   c) Have a reasonable basis to believe both of the following:

Attachment 23

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note

i. The recommended option effectively addresses the consumer's Situation over the life of the product;
ii. The consumer would benefit from features of an annuity, such as annuitization, death or living benefits or other insurance-related features.

d) Communicate the basis of the recommendation;
e) Make a reasonable effort to obtain consumer profile information from the consumer before recommending an annuity;
f) Consider the types of products the Producer is authorized and licensed to recommend or sell that address the consumer's Situation and the Producer:
   i. Is not required to consider any products outside the Producer's license or other products available at the time of the recommendation;
   ii. Must be held to standards that apply to Producers with similar authority and licensure.
g) In the case of an exchange or replacement of an annuity, the Producer must consider whether:
   i. The consumer will incur a surrender charge, be subject to a new surrender period, lose existing benefits or be subject to increased fees;
   ii. The replacement product would substantially benefit the consumer in comparison to the current product over the life of the product;
   iii. The consumer has had another exchange or replacement of an annuity, in particular, within the preceding sixty months.

4. States that the requirements under the best interest and care obligations do not create a fiduciary obligation or relationship and only create a regulatory obligation.
5. Outlines the circumstances in which care obligation requirements are applicable.
6. States that under the care obligation, the consumer profile information, characteristics of the insurer and product costs, rates, benefits are the relevant factors in deciding whether an annuity addresses the consumer's Situation.
   a) States that the importance of factors may vary by case and each factor may not be considered in isolation.
7. Outlines the information required to satisfy the disclosure obligation that the Producer must provide to a consumer on a form before making a Recommendation.
   a) The disclosure obligation form must be substantially similar to the "Insurance Agent (Producer) Disclosure for Annuities" form from the 2020 National Association of Insurance Commissioners Suitability in Annuity Transactions Model Regulation.
8. States that under the disclosure obligation, the Producer must have a reasonable basis to believe that the consumer has been informed of the specified features, potential charges or tax penalties, fees, interest returns and market risk of the annuity.
9. States that to satisfy the conflict of interest obligation, the Producer must identify and avoid or reasonably manage and disclose material conflicts of interest, including ownership interest.
10. Outlines the requirements to satisfy the documentation obligation that must be completed by the Producer at the time of the Recommendation or sale.
11. States that the aforementioned provisions apply to every Producer who has exercised material control or influence in the making of a Recommendation and has received direct compensation as a result of the Recommendation, regardless of whether the Producer has had any direct contact with the consumer.
12. Outlines activities that do not constitute material control or influence.

13. States that an insurer's issuance of an annuity must be reasonable under all the known circumstances at the time.

14. States that a Producer has no other obligation under the aforementioned provisions to a consumer relating to an annuity transaction if:
    a) No Recommendation is made;
    b) A Recommendation was made based on materially inaccurate information provided by the consumer;
    c) The consumer refuses to provide relevant profile information and the annuity transaction is not recommended; or
    d) The consumer decides to enter into an annuity transaction that is not based on a Recommendation.

15. Outlines the requirements of each insurer to establish and maintain a supervision system (System) that is designed to achieve the insurer's and its Producers' compliance with the aforementioned provisions.

16. States that an insurer may contract for performance of a function, including maintenance of procedures, but is responsible for taking appropriate corrective action and may be subject to sanctions and penalties pursuant to specified statute.

17. Outlines what an insurer's System must include for supervision of contractual performance.

18. Outlines what an insurer is not required to include in its System.

19. States that a Producer or an insurer, can not dissuade, or attempt to dissuade, a consumer from:
    a) Truthfully responding to an insurer's request for confirmation of the consumer profile information;
    b) Filing a complaint; or
    c) Cooperating in the investigation of a complaint.

20. States that the Recommendations and sales of annuities made by financial professionals that comply with comparable standards satisfy the requirements of the aforementioned provisions.
    a) The Recommendations and sales of annuities made by financial professionals does not limit the Director's ability to enforce pertinent statute.

21. States that the insurer can base its analysis on a consumers Situation in information received from either a financial professional or the entity supervising a financial professional.

22. Outlines the criteria insurers must follow to comply with Recommendations and sales of annuities made by financial professionals.

Compliance, Enforcement & Penalties (Sec. 5)

23. States that an insurer is responsible for compliance and if a violation occurs, either because of the action or inaction of the insurer or its Producer, the director can order:
    a) The insurer to contract an entity to perform the insurer's supervisory duties;
    b) A general agency or independent agency to take reasonably appropriate corrective action; and
    c) Appropriate penalties and sanctions.

24. Removes a business entity that employs or contracts with a Producer for annuities sales from taking reasonably appropriate corrective action.

25. Authorizes the Director to reduce or eliminate any applicable penalty if the violation was not part of a pattern or practice.

26. States that the authority to enforce compliance is vested exclusively with the Director.

Miscellaneous

27. States that the provisions do not create or imply a private cause of action for a violation or subject a Producer to civil liability under the best interest standard of care or under standards of a fiduciary or fiduciary relationship. (Sec. 2)
28. Adds independent agencies to the list of entities that are able to make Recommendation records available to the Director. (Sec. 6)
29. States that completion of any course or courses with components that are substantially similar satisfy the Producer training requirements. (Sec. 7)
30. Requires a Producer who has completed an annuity training course, to complete the following within six months after the effective date:
    a) A new four credit hour annuity training course approved by the Director; and
    b) An additional one credit hour annuity training course approved by the Department of Insurance and Financial Institutions on appropriate sales practices, replacement and disclosure requirements. (Sec. 8)
31. Defines pertinent terms. (Sec. 1, 4)
32. Contains a delayed effective date of January 1, 2021. (Sec. 9)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON Regulatory Affairs BILL NO. SB 1557

DATE March 02, 2020 MOTION: dp

	PASS	AYE	NAY	PRESENT	ABSENT
Blackman		✓			
Powers Hannley			✓		
Shah		✓			
Terán			✓		
Toma		✓			
Roberts, Vice-Chairman		✓			
Grantham, Chairman		✓			
		5	2	0	0

Susan Hoteb
COMMITTEE SECRETARY

APPROVED:

T. W. G.
TRAVIS W. GRANTHAM, Chairman
BRET ROBERTS, Vice-Chairman

ATTACHMENT 24