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

COMMITTEE ON COMMERCE

Report of Regular Meeting
Tuesday, January 21, 2025
House Hearing Room 5 -- 2:00 P.M. OR UPON RECESS OR ADJOURNMENT OF FLOOR

Convened 2:05 P.M.
Recessed
Reconvened
Adjourned 2:48 P.M.

MINUTES RECEIVED
CHIEF CLERK'S OFFICE
1/21/25

Members Present
Representative Aguilar
Representative Blackman
Representative Cavero
Representative Connolly
Representative Diaz
Representative Hendrix
Representative Livingston
Representative Villegas
Representative Way, Vice-Chairman
Representative Weninger, 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
	Committee on Commerce Rules Adopted		4
HB2032	DP	10-0-0-0	5, 6
HB2033	DP	10-0-0-0	7, 8
HB2054	DP	10-0-0-0	9, 10, 11
HB2076	DPA	10-0-0-0	12, 13, 14

Abby Selvey
Abby Selvey, Committee Secretary
January 21, 2025

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

Conv: 2:05 pm
Adjrn: 2:48 pm

REVISED - 1/17/25 **REVISED - 1/17/25** **REVISED - 1/17/25**

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

REGULAR MEETING AGENDA

COMMITTEE ON COMMERCE

DATE Tuesday, January 21, 2025 ROOM HHR 5 TIME 2:00 P.M. or upon recess or adjournment of Floor

Members of the public may access a livestream of the meeting here:
https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2025011041

Members:

Representative Aguilar	Representative Diaz	~~Representative Wilmeth~~
Representative Blackman	Representative Hendrix	Representative Way, Vice-Chairman
Representative Cavero	Representative Livingston	Representative Weninger, Chairman
Representative Connolly	Representative Villegas	

1. Introduction of Members and Staff
2. Adoption of Committee Rules

Bills		Short Title	Strike Everything Title
HB2032	DP	workers' compensation; assigned risk plan	
		(Livingston)	
	10-0-0-0	COM, RULES	
HB2033	DP	workers' compensation; service; definition	
		(Livingston)	
	10-0-0-0	COM, RULES	
HB2054	DP	DIFI; financial enterprises; insurance; compact	
		(Livingston)	
	10-0-0-0	COM, RULES	
HB2076	DPA	life insurance; illustrations	
		(Livingston)	
	10-0-0-0	COM, RULES	

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

~~RA~~
VC
~~01/15/2025~~
01/17/2025

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.

ATTACHMENT 1

Information Registered on the Request to Speak System

House Commerce (1/21/2025)

HB2032, workers' compensation; assigned risk plan

Support:

Mark Kendall, COPPERPOINT INSURANCE COMPANY; Wendy Briggs, AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION; Marc Osborn, 7710 Insurance Company, AMERICAN INTERNATIONAL GROUP INC (AIG), Chubb Insurance , NATIONWIDE MUTUAL INSURANCE COMPANY; Jeremy Gerlach, AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION; Rex Bartlett, Copperpoint Insurance Companies; Michael Colletto, representing self

Neutral:

Barry M. Aarons, AZ ASSN OF LAWYERS FOR INJURED WORKERS

HB2033, workers' compensation; service; definition

Support:

Mark Kendall, COPPERPOINT INSURANCE COMPANY; Wendy Briggs, AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION; Marc Osborn, 7710 Insurance Company, AMERICAN INTERNATIONAL GROUP INC (AIG), Chubb Insurance And Nationwide ; Barry M. Aarons, AZ ASSN OF LAWYERS FOR INJURED WORKERS; Jeremy Gerlach, AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION; Emily Rice, AZ SELF-INSURERS ASSOC; Rex Bartlett, Copperpoint Insurance Companies; Michael Colletto, representing self

HB2054, DIFI; financial enterprises; insurance; compact

Support:

Fausto Burruel, AZ DEPT. OF INSURANCE AND FINANCIAL INSTITUTIONS; Daniel Romm, AMERICAN COUNCIL OF LIFE INSURERS (ACLI)

HB2076, life insurance; illustrations

Support:

Marc Osborn, AMERICAN COUNCIL OF LIFE INSURERS (ACLI), Corebridge

ATTACHMENT 2

ARIZONA STATE LEGISLATURE

Fifty-seventh Legislature - First Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON **COMMERCE**

CHAIRMAN: Jeff Weninger VICE-CHAIRMAN: Michael Way

	DATE	1/21/25	/25	/25	/25	/25
	CONVENED	2:05pm	m	m	m	m
	RECESSED					
	RECONVENED					
	ADJOURNED	2:48pm				
MEMBERS						
Aguilar		✓				
Blackman		✓				
Cavero		✓				
Connolly		✓				
Diaz		✓				
Hendrix		✓				
Livingston		✓				
Villegas		✓				
Way, Vice-Chairman		✓				
Weninger, Chairman		✓				

√ Present --- Absent exc Excused

ATTACHMENT 3

COMMITTEE ON COMMERCE
Standing Committee Rules

RULE 1. A majority of the members of the committee shall constitute a quorum. No official action may be taken unless a quorum is present in person at the time of taking such action.

RULE 2. The chairman sets the agenda and determines the order of measures. The chairman also controls all public testimony.

RULE 3. The following motions are customary and in order relating to actions on measures:

1. Do pass
2. Do pass as amended
3. Return for consideration of the House
4. Hold for further study
5. Do not pass
6. Be assigned to subcommittee for....

RULE 4. The affirmative vote of a majority of those voting is required to take any action.

RULE 5. On a roll call vote the names of committee members shall be called alphabetically by surname; except that the vice chairman and the chairman shall be called upon last. Each member present shall be allowed to pass on one call of the roll, and shall vote "yes" or "no" (aye, nay) or respond "present." Members may change their votes before the announcement of the results and any member may explain his or her vote on any measure.

RULE 6. Whenever a measure is reported from the committee on a divided vote, any member may request a minority report.

RULE 7. All amendments (except strike-everything amendments; see House Rule 8(T)) shall be distributed to each committee member's office by 5:00 P.M. the day before the committee at which it will be offered. Verbal amendments may be offered during the committee meeting at the discretion of the chairman.

In accordance with Rule 9 of the *House Rules*, the following *House Rules* are also incorporated into the Committee Rules:

RULE 9(C) Each Standing Committee shall adopt and file with the Chief Clerk's Office rules of procedure consistent with the Rules of the House and shall include the following:

ATTACHMENT 4

1. With the exception of executive session ordered by a majority of the committee constituting a quorum, all committee meetings shall be open to the other members of the Legislature, the press and public so long as proper decorum is maintained.

2. All committees shall meet at regularly scheduled times and places unless cancelled with the permission of the Speaker. In the absence of the chairman, the vice chairman shall preside. In the absence of both the chairman and vice chairman, some other committee member designated by the Speaker shall preside.

3. The committee chairman (presiding officer) other than the chairman of the Committee on Rules shall prepare an agenda and distribute copies to committee members, the Information Desk and the Chief Clerk's Office by 5:00 p.m. at least five days before the committee meeting. Absence of a bill, memorial or resolution from the committee agenda will prohibit its consideration unless unanimous consent of all committee members is obtained. Unless a reconsideration motion has been offered and failed, a chairman may place a measure that failed in committee on any subsequent agenda.

4. A bill not on the committee agenda shall be scheduled for discussion at the next subsequent committee meeting by a presentation of a petition containing the signatures of two-thirds or more of the committee members.

5. A roll call vote shall be taken in each standing committee when final action on any bill is voted.

6. Written committee reports shall be filed with the Chief Clerk's Office within a reasonable time but no later than two weeks from time of completion of meetings. A recording of the meeting shall be made available for public inspection three working days after the meeting. Attendance records of all committee meetings shall be filed with the Chief Clerk's Office within 24 hours from time of completion of meetings.

7. Special meetings may be called by the chairman but require permission of the Speaker and notice to members and the general public at the Information Desk by 5:00 p.m. on the previous day, except that the notice of a special meeting of the Committee on Rules may be given in open session prior to the meeting and does not require the Speaker's permission.

RULE 9 (E). No committee other than the Committee on Rules shall meet while the House is meeting in session without special permission of the Speaker.

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

HB 2032: workers' compensation; assigned risk plan
Sponsor: Representative Livingston, LD 28
Committee on Commerce

Overview

Adds factors that exempt an employer from placement in the assigned risk plan.

History

The Industrial Commission of Arizona (ICA) administers and enforces state laws relating to the protection of life, health, safety and welfare of Arizona's employees, including workers' compensation. Employers are required to provide workers' compensation to their employees either by securing insurance through an authorized carrier or providing the ICA with proof of financial ability to pay workers' compensation costs (A.R.S. § 23-961).

Insurers may decline to issue a workers' compensation or occupational disease policy to an employer. An employer who is refused coverage by two or more insurers must be placed in the assigned risk plan. The director of the Department of Insurance and Financial Institutions must contract with a qualified party to be the administrator for the assigned risk plan. The assigned risk plan administrator must develop a plan of operation and issue a directive for the equitable apportioning of assigned risks among all the insurers. The plan must include a method for the administrator to select one or more insurers transacting workers' compensation to act as servicing carriers and a method for appropriating the workers' compensation assigned risk among all insurers (A.R.S. § 23-1091).

Provisions

1. Specifies that employers are exempt from being placed in the assigned risk plan if any of the following factors exist:
   a) on a workers' compensation policy, the employer either:
      i. knowingly fails to meet reasonable health and safety or audit or loss prevention requirements;
      ii. refuses an insurance carrier reasonable access to the employer's records;
   b) has an outstanding premium due on a workers' compensation policy and that is not subject to a bona fide dispute; or
   c) knowingly fails to comply with the assigned risk plan's application procedures or makes a material misrepresentation on the application. (Sec. 1)

ATTACHMENT 5

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

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

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2032

DATE January 21, 2025 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Livingston		✓			
Villegas		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 6

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

HB 2033: workers' compensation; service; definition
Sponsor: Representative Livingston, LD 28
Committee on Commerce

Overview

Modifies the definition of *serve* or *service.*

History

Statute prescribes the term *serve* in the context of the transfer of documentation to another party such as the act of *serving* someone subpoenas or legal summons (A.R.S. §§ 23-941, 23-946).

Additionally, statute defines *serve* or *service* as either: a) mailing to the last known address of the receiving party; or b) transmitting by other means, including electronic transmission, with the written consent of the receiving party (A.R.S. § 23-901).

Provisions

1. Modifies the definition of *serve* or *service* to include transmitting by electronic transmission in a manner reasonably calculated to achieve effective service unless the receiving party opts out by providing written notice to the other party. (Sec. 1)

ATTACHMENT 1

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

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

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2033

DATE January 21, 2025 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Livingston		✓			
Villegas		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Abby Selvey
COMMITTEE SECRETARY

APPROVED:
Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 8

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

HB 2054: DIFI; financial enterprises; insurance; compact
Sponsor: Representative Livingston, LD 28
Committee on Commerce

Overview

Makes various revisions to statutes relating to the Department of Insurance and Financial institutions (DIFI) licensure requirements and director responsibilities.

History

Established in 2020 with the consolidation of the Department of Financial Institutions, the Department of Insurance and the Automobile Theft Authority, DIFI is a multifaceted agency that regulates the insurance industry, financial institutions and enterprises as well as the distribution of Arizona Automobile Theft Authority Fund monies to combat auto theft.

DIFI regulates such industries through licensure of financial and insurance professionals such as collection agencies, mortgage bankers and brokers, insurers and insurance producers, registering and certifying state-chartered banks and credit unions and conducting scheduled examinations and investigating complaints of licensed professionals and businesses.

DIFI is also responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona.

Provisions

1. Modifies the consumer lender license year from a fiscal year to a calendar year. (Sec. 1)
2. Requires a consumer lender licensee to apply for renewal by December 31 rather than June 30 of each year. (Sec. 1)
3. Changes the consumer lender license expiration date from July 31 to January 31. (Sec. 1)
4. Changes the debt management company license expiration and renewal date from June 30 to December 31. (Sec. 2)
5. Requires an escrow agent licensee to apply for renewal by December 31 rather than September 30. (Sec. 3)
6. Changes the escrow agent license expiration date from October 31 to January 31. (Sec. 3)
7. Requires a registered advance fee loan broker to apply for renewal by December 31 rather than June 30 of each year. (Sec. 5)
8. Stipulates the advance fee loan broker registration is suspended if not received by December 31 rather than June 30. (Sec. 5)

ATTACHMENT 9

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

9. Changes the advance fee loan broker registration expiration date from July 31 to January 31. (Sec. 5)

10. Requires a sales finance company licensee to apply for renewal by December 31 rather than the continuation date of each year. (Sec. 12)

11. Removes references of the license continuation date. (Sec. 12)

12. Allows, rather than requires, the director of DIFI to adopt rules:
    a) to implement statutes governing money transmitters; (Sec. 4)
    b) to enforce requirements relating to extended warranty insurers' deposits; (Sec. 6)
    c) relating to the requirement for an insurer to possess and maintain any required additional free surplus; (Sec. 7) and
    d) which require certain insurers to report loss and expense experience and other data. (Sec. 8)

13. Deletes an archaic reporting date relating to risk retention groups. (Sec. 9)

14. Modifies the information that must be reported by DIFI relating to risk retention groups. (Sec. 9)

15. Removes the requirement for the director of DIFI to include the minimum performance standards in any request for proposals relating to approved providers of continuing education programs. (Sec. 10)

16. Removes the specification stating that Arizona opts out of all uniform standards involving long-term care insurance products relating to the interstate insurance product regulation compact. (Sec. 11)

17. Specifies certain licensee who hold an active license do not have to renew such license until December 31, 2025. (Sec. 13)

18. Applies license renewal requirements retroactive to January 1, 2025. (Sec. 13)

ARIZONA
DEPARTMENT OF INSURANCE
& FINANCIAL INSTITUTIONS

H.B. 2054
DIFI; financial enterprises; insurance; compact

FACT SHEET

Goal: Streamline financial enterprises licensing renewal dates and reduce the backlog of long-term care rate filings.

Background

Financial Enterprises

Most financial enterprises' license periods coincide with the calendar year, but five license types – consumer lenders, debt management companies, escrow agents, advance fee loan brokers and sales finance companies – renew on June 30 or September 30. Because the National Mortgage Licensing System (NMLS) has an account renewal date of December 31, which financial enterprises licensees use to apply and renew their licenses, these licensees must renew their licenses and their NMLS accounts on separate dates. Aligning license renewal with NMLS account renewal reduces administrative burden on licensees and the likelihood that they inadvertently allow their licenses to lapse, resulting in statutory late fees (A.R.S. §§ 6-604, 6-707, 6-815, 6-1305 and 44-282).

Interstate Insurance Product Regulation Compact (IIPRC)

Adopted by the Legislature in 2014, the IIPRC develops uniform standards for annuity, life, disability income and long-term care (LTC) insurance products through a multi-state Commission and serves as a central clearinghouse to enhance the efficiency and effectiveness of the way these insurance products are filed, reviewed and approved. While Arizona currently allows annuity, life and disability income insurance products to be approved through the IIPRC, the state opted-out of the LTC uniform standards when it adopted the IIPRC at the request of the then-Arizona Department of Insurance. Currently, DIFI is experiencing a backlog of LTC rate filings, which the Department is working to address per Recommendations 11-13 of the Department's 2024 performance audit and sunset review. Eliminating Arizona's opt-out of the LTC uniform standards will further help to reduce the LTC filing backlog and improve speed-to-market for LTC insurance products while maintaining consumer protections and the state's authority over LTC products filed with the Department and rate increases greater than 15 percent (A.R.S. § 20-3251; IIPRC).

Miscellaneous

H.B. 2054 addresses Recommendation 22 of DIFI's 2024 performance audit and sunset review by authorizing, rather than requiring, the Department to adopt rules pursuant to A.R.S. §§ 6-1203, 20-108.01, 20-211 and 20-235 (Auditor General). The bill also eliminates the following statutory deficiencies: 1) reporting requirements relating to private passenger auto (PPA) policies written by risk retention groups (RRGs) as RRGs are not authorized to write PPA policies; and 2) references to the since-repealed Continuing Education Review Committee (A.R.S. § 20-2402; Laws 2020, Chapter 37).

Please contact Fausto Burruel, Legislative Liaison, at fausto.burruel@difi.az.gov or (602) 531-3069 with any questions you may have.

1/20/2025

ATTACHMENT 10

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

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2054

DATE January 21, 2025 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Livingston		✓			
Villegas		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 11

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

HB 2076: life insurance; illustrations
Sponsor: Representative Livingston, LD 28
Committee on Commerce

Overview

Establishes statutory provisions relating to life insurance illustrations.

History

The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization governed by state chief insurance regulators. The NAIC provides expertise, data and analysis for insurance commissioners to effectively regulate the industry and protect consumers.

The NAIC established the Life Insurance Illustrations Model Regulation (#582) with the purpose of providing rules for life insurance policy illustrations that will protect consumers and foster consumer education. The regulation provides illustration formats, prescribes standards to be followed when illustrations are used, and specifies the disclosures that are required in connection with illustrations. An illustration is a presentation or depiction provided to prospective or new policy owners that shows how the policy should perform under specific circumstances set out in the illustration.

Provisions

Life Insurance Illustrations

1. Establishes statutory requirements for an *illustration* which is a presentation or depiction that includes nonguaranteed elements of a life insurance policy over a period of years and that is basic illustration, supplemental illustration or in-force illustration. (Sec. 1)

Applicability

2. Applies life insurance illustrations provisions to all group and individual life insurance policies and certificates. (Sec. 1)
3. Exempts, from the life insurance illustrations provisions:
   a) variable life insurance;
   b) individual and group annuity contracts;
   c) credit life insurance; and
   d) certain life insurance policies. (Sec. 1)

Illustration Identification

4. Directs insurers to notify the director whether a policy will be marketed with or without an illustration. (Sec. 1)

ATTACHMENT 12

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

5. Stipulates, for policy forms that are actively marketed on January 1, 2026, an insurer must identify those forms and whether an illustration will be used. (Sec. 1)
6. Specifies, for policy forms that filed after January 1, 2026, an insurer must identify whether an illustration will be used at the time of filing. (Sec. 1)
7. Allows an insurer to change an identification by notifying the director. (Sec. 1)
8. Prohibits any use of an illustration before the first policy anniversary for any policy form that is identified as one to be marketed without an illustration. (Sec. 1)
9. Requires, for a policy form identified as one to be marketed with an illustration, a basic illustration to be prepared and delivered an accordance with statutory illustration requirements, with exception. (Sec. 1)
10. Allows an insurer, for certain policies, to furnish either an individual or composite illustration representing coverage on the lives of members of the group, or the multiple lives covered. (Sec. 1)
11. Outlines requirements for including a quote that shows potential policy values for sample ages and policy years on a guaranteed and nonguaranteed basis appropriate to the group and the coverage. (Sec. 1)
12. Instructs an insurer to provide a basic illustration at the delivery of the certificate to certain enrollees for nonterm group life insurance and make the basic illustration available to any nonterm group life enrollee on request. (Sec. 1)

Illustration Requirements; Prohibitions

13. Requires an illustration that is used in the sale of a life insurance policy to be clearly labeled and contain specified information. (Sec. 1)
14. Outlines prohibitions for insurers or producers when using an illustration. (Sec. 1)
15. Prohibits the interest rate from being grater than the earned interest rate underlying the disciplined current scale if the rate that is used to determine the illustrated nonguaranteed elements is shown. (Sec. 1)
16. Specifies the format of a basic illustration must conform with outlined requirements, including be labeled with the preparation date, page numbering, show any guaranteed death benefits, nonguaranteed and guaranteed elements. (Sec. 1)
17. Requires a basic illustration to contain a narrative summary that includes specified information, including a brief description of the policy being illustrated, the premium outlay and each policy feature, rider or option, that is shown in the basic illustration. (Sec. 1)
18. Requires a basic illustration, following the narrative summary, to include a numeric summary of the death benefits and values and the premium outlay and contract premium. (sec. 1)
19. Adds the guaranteed death benefits and values must be based on the contract premium. (Sec. 1)
20. Specifies the numeric summary must be shown for at least policy years 5, 10 and 20 and at age 70 on three bases. (Sec. 1)

21. Outlines requirements applicable to the numeric summary, including to the three bases. (Sec. 1)

22. Outlines specified statements which must be included on the same page as the numeric summary and be signed by the applicant or policy holder. (Sec. 1)

23. Outlines specified tabular details applicable to a basic illustration. (Sec. 1)

Supplemental Illustrations

24. Stipulates the conditions and requirements for providing a supplemental illustration. (Sec. 1)

25. Requires the supplemental illustration to include a notice referring to the basic illustration for guaranteed elements and other important information. (Sec. 1)

Illustrations Delivery

26. Requires a copy of a signed basic illustration that used by an insurance producer in the sale of a life insurance policy be submitted to the insurer at the time of policy application with a copy provided to the applicant. (Sec. 1)

27. Stipulates a revised basic illustration, for a policy that is issued other than as applied for, must be sent with the policy and a copy provided to the insurer and policyholder. (Sec. 1)

28. Adds the revised illustration must conform to statutory requirements, be labeled as revised and have appropriate signatures. (Sec. 1)

29. Stipulates a producer must certify in writing if an illustration is not used in the sale of a life insurance policy or if the policy is applied for other than as illustrated. (Sec. 1)

30. Requires an applicant to acknowledge that a conforming illustration was not provided and will be provided no later than the time of the policy delivery. (Sec. 1)

31. Instructs the applicant to submit such information to the insurer at the time of policy application. (Sec. 1)

32. Requires, for policies that are issued, a basic illustration that conforms as issued be sent with the policy and appropriately signed no later than the time the policy is delivered with a copy provided to the insurer and the policyholder. (Sec. 1)

33. Requires a basic illustration or revised illustration that is mailed by the insurer to include instructions for the applicant or policyowner to sign the duplicate copy of the numeric summary page and return the copy to the insurer. (Sec. 1)

34. Outlines conditions for an insurer to demonstrate satisfactory compliance with the delivery obligation. (Sec. 1)

35. Allows the insurer to send and received an electronic signed copy provided the applicant or policyholder consents to transact insurance electronically. (Sec. 1)

36. Provides retention requirements for the insurer. (Sec. 1)

Annual Report

37. Stipulates the insurer must provide each policyholder with an annual report on the state of the policy and outlines contents of the report. (Sec. 1)

38. Instructs insurers who write life insurance policies that do not build nonforfeiture values to provide an annual report with respect to such policies only for those years when the insurer has made a change to nonguaranteed policy elements. (Sec. 1)

39. Requires a specified notice be prominently displayed in an annual report that does not include an in-force illustration. (Sec. 1)

40. Instructs an insurer, on request of a policyholder, to furnish an in-force illustration of current and future benefits and values.

41. Specifies such in-force illustration must comply with statutory requirements and is not required to have a signature. (Sec. 1)

42. Stipulates the annual report must contain a notice of change if the insurer makes an adverse change in nonguaranteed elements that could affect the policy. (Sec. 1)

Illustration Actuaries

43. Instructs the board of directors of each insurer to appoint one or more illustration actuaries. (Sec. 1)

44. Directs the actuary to certify that the disciplined current scale that is used in illustrations conforms with the actuarial standard of practice for compliance with NIAC model regulation and meet the statutory requirements for life insurance illustrations. (Sec. 1)

45. Delineates the actuary requirements and responsibilities. (Sec. 1)

46. Instructs the actuary to file the annual certification with the board of directors of the insurer and the director as outlined. (Sec. 1)

47. Requires the actuary to notify the board of directors and the director if an error is found in previous certification. (Sec. 1)

48. Stipulates the actuary must notify the board of directors and the director of the inability to certify if the actuary is unable to certify the scale for any policy from illustration that the insurer intends to use. (Sec. 1)

49. Instructs a responsible officer of the insurer to annually certify:
    a) that the illustration formats meet statutory requirements and that the scales used in insurer-authorized illustrations are those scales that have been certified by the illustration actuary; and
    b) that the company has provided its agents with information about the expense allocation method used in its illustrations. (Sec. 1)

50. Requires the annual certifications be provided to the director each year by the date determined by the insurer. (Sec. 1)

51. Stipulates an insurer who changes the illustration actuary responsible for all or a portion of the company's policy forms to notify the director of the change and reason for the change. (Sec. 1)

Penalties

52. Specifies an insurer or producer that violates statutory requirements relating to life insurance illustrations commits an unfair trade practice. (Sec. 1)

Miscellaneous

53. Contains a delayed effective date of January 1, 2025. (Sec. 2)

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2076
(Reference to printed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
[~~GREEN STRIKEOUT IN BRACKETS~~] indicates new text removed from statute or previously enacted session law.
[~~Green strikeout in brackets~~] indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<~~Green strikeout in carets~~>> indicates a section removed from the bill.

The bill as proposed to be amended is reprinted as follows:

Section 1. Title 20, chapter 2, Arizona Revised Statutes, is amended by adding article 5.1, to read:

ARTICLE 5.1. LIFE INSURANCE ILLUSTRATIONS

20-431. Definitions

IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

1. "ACTUARIAL STANDARDS BOARD" MEANS THE BOARD THAT IS ESTABLISHED BY THE AMERICAN ACADEMY OF ACTUARIES TO DEVELOP AND ADOPT STANDARDS OF ACTUARIAL PRACTICE.

2. "BASIC ILLUSTRATION" MEANS A LEDGER OR PROPOSAL THAT IS USED IN THE SALE OF A LIFE INSURANCE POLICY AND THAT SHOWS BOTH GUARANTEED AND NONGUARANTEED ELEMENTS.

3. "CONTRACT PREMIUM":

(a) MEANS THE GROSS PREMIUM THAT IS REQUIRED TO BE PAID UNDER A FIXED PREMIUM POLICY.

(b) INCLUDES THE PREMIUM FOR A RIDER FOR WHICH BENEFITS ARE SHOWN IN AN ILLUSTRATION.

4. "CURRENTLY PAYABLE SCALE" MEANS A SCALE OF NONGUARANTEED ELEMENTS IN EFFECT FOR A POLICY FORM AS OF THE PREPARATION DATE OF THE ILLUSTRATION OR DECLARED TO BECOME EFFECTIVE WITHIN THE NEXT NINETY-FIVE DAYS.

5. "DISCIPLINED CURRENT SCALE":

(a) MEANS A SCALE OF NONGUARANTEED ELEMENTS THAT CONSTITUTES A LIMIT ON ILLUSTRATIONS CURRENTLY BEING ILLUSTRATED BY AN INSURER AND THAT IS REASONABLY BASED ON RECENT, ACTUAL HISTORICAL EXPERIENCE AS CERTIFIED ANNUALLY BY AN ILLUSTRATION ACTUARY DESIGNATED BY THE INSURER.

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

ATTACHMENT 13

(b) INCLUDES RELIANCE ON FURTHER GUIDANCE IN DETERMINING THE DISCIPLINED CURRENT SCALE AS CONTAINED IN STANDARDS BY THE ACTUARIAL STANDARDS BOARD IF THE STANDARDS COMPLY WITH ALL OF THE FOLLOWING:

(i) ARE CONSISTENT WITH THIS ARTICLE.

(ii) LIMIT A DISCIPLINED CURRENT SCALE TO REFLECT ONLY ACTIONS THAT HAVE ALREADY BEEN TAKEN OR EVENTS THAT HAVE ALREADY OCCURRED.

(iii) DO NOT ALLOW A DISCIPLINED CURRENT SCALE TO INCLUDE ANY PROJECTED TRENDS OF IMPROVEMENTS IN EXPERIENCE OR ANY ASSUMED IMPROVEMENTS IN EXPERIENCE BEYOND THE ILLUSTRATION DATE.

(iv) DO NOT ALLOW ASSUMED EXPENSES TO BE LESS THAN THE MINIMUM ASSUMED EXPENSES.

6. "GENERIC NAME" MEANS A SHORT TITLE DESCRIPTIVE OF THE POLICY BEING ILLUSTRATED SUCH AS "WHOLE LIFE", "TERM LIFE" OR "FLEXIBLE PREMIUM ADJUSTABLE LIFE".

7. "GUARANTEED ELEMENTS" MEANS THE PREMIUMS, [BENEFITS,] VALUES, CREDITS OR CHARGES UNDER A POLICY OF LIFE INSURANCE THAT ARE GUARANTEED AND THAT ARE DETERMINED WHEN THE POLICY IS ISSUED.

8. "ILLUSTRATED SCALE" MEANS A SCALE OF NONGUARANTEED ELEMENTS CURRENTLY BEING ILLUSTRATED THAT IS NOT MORE FAVORABLE TO THE POLICYOWNER THAN THE LESSER OF EITHER OF THE FOLLOWING:

(a) THE DISCIPLINED CURRENT SCALE.

(b) THE CURRENTLY PAYABLE SCALE.

9. "ILLUSTRATION" MEANS A PRESENTATION OR DEPICTION THAT INCLUDES NONGUARANTEED ELEMENTS OF A LIFE INSURANCE POLICY OVER A PERIOD OF YEARS AND THAT IS A BASIC ILLUSTRATION, SUPPLEMENTAL ILLUSTRATION OR IN-FORCE ILLUSTRATION.

10. "ILLUSTRATION ACTUARY" MEANS AN ACTUARY WHO MEETS THE REQUIREMENTS PRESCRIBED IN SECTION 20-431.08 AND WHO CERTIFIES THE ILLUSTRATIONS BASED ON THE STANDARD OF PRACTICE ADOPTED BY THE ACTUARIAL STANDARDS BOARD.

11. "IN-FORCE ILLUSTRATION" MEANS AN ILLUSTRATION THAT IS FURNISHED AT ANY TIME AFTER THE LIFE INSURANCE POLICY THAT IT DEPICTS HAS BEEN IN FORCE FOR ONE YEAR OR MORE.

12. "LAPSE-SUPPORTED ILLUSTRATION" MEANS AN ILLUSTRATION OF A POLICY FORM THAT FAILS TO MEET THE DEFINITION OF SELF-SUPPORTING ILLUSTRATION UNDER A MODIFIED PERSISTENCY RATE ASSUMPTION THAT USES PERSISTENCY RATES UNDERLYING THE DISCIPLINED CURRENT SCALE FOR THE FIRST FIVE YEARS AND ONE HUNDRED PERCENT POLICY PERSISTENCY THEREAFTER.

13. "MINIMUM-ASSUMED EXPENSES" MEANS THE MINIMUM EXPENSES THAT MAY BE USED IN CALCULATING THE DISCIPLINED CURRENT SCALE FOR A POLICY [~~TERM~~] AND FOR WHICH THE INSURER MAY ANNUALLY DESIGNATE ONE OF THE FOLLOWING METHODS TO DETERMINE ASSUMED EXPENSES FOR ALL POLICY FORMS:

(a) FULLY ALLOCATED EXPENSES, WHICH MUST BE USED IF A GENERALLY RECOGNIZED EXPENSE TABLE IS NOT APPROVED.

(b) MARGINAL EXPENSES, WHICH MAY BE USED ONLY IF THE MARGINAL EXPENSES ARE GREATER THAN A GENERALLY RECOGNIZED EXPENSE TABLE.

(c) A GENERALLY RECOGNIZED EXPENSE TABLE BASED ON FULLY ALLOCATED EXPENSES THAT REPRESENTS A SIGNIFICANT PORTION OF INSURANCE COMPANIES AND

THAT IS APPROVED BY THE [~~NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS~~] [DIRECTOR].

14. "NONGUARANTEED ELEMENTS" MEANS THE PREMIUMS, BENEFITS, VALUES, CREDITS OR CHARGES UNDER A POLICY OF LIFE INSURANCE THAT ARE NOT GUARANTEED OR NOT DETERMINED AT ISSUE.

15. "NONTERM GROUP LIFE" MEANS A GROUP POLICY OR INDIVIDUAL POLICIES OF LIFE INSURANCE THAT ARE ISSUED TO MEMBERS OF AN EMPLOYER GROUP OR OTHER ALLOWED GROUP TO WHICH ALL OF THE FOLLOWING APPLY:

(a) THE EMPLOYER OR OTHER GROUP REPRESENTATIVE SELECTS EVERY PLAN OF COVERAGE.

(b) SOME PORTION OF THE PREMIUM IS PAID BY THE GROUP OR THROUGH PAYROLL DEDUCTION.

(c) GROUP UNDERWRITING OR SIMPLIFIED UNDERWRITING IS USED.

16. "POLICYOWNER" MEANS THE OWNER WHO IS NAMED IN THE POLICY OR THE CERTIFICATE HOLDER IN THE CASE OF A GROUP POLICY.

17. "POLICYOWNER VALUE" INCLUDES THE CASH SURRENDER VALUES AND OTHER ILLUSTRATED BENEFIT AMOUNTS THAT ARE AVAILABLE AT THE POLICYOWNER'S ELECTION.

18. "PREMIUM OUTLAY" MEANS THE AMOUNT OF PREMIUM THAT IS ASSUMED TO BE PAID BY THE POLICYOWNER OR OTHER PREMIUM PAYOR OUT OF POCKET.

19. "SELF-SUPPORTING ILLUSTRATION" MEANS AN ILLUSTRATION OF A POLICY FORM FOR WHICH IT CAN BE DEMONSTRATED THAT WHEN USING EXPERIENCE ASSUMPTIONS UNDERLYING THE DISCIPLINED CURRENT SCALE FOR ALL ILLUSTRATED POINTS IN TIME ON OR AFTER THE FIFTEENTH POLICY ANNIVERSARY OR THE TWENTIETH POLICY ANNIVERSARY FOR SECOND-OR-LATER-TO-DIE POLICIES, OR ON POLICY EXPIRATION IF SOONER, THE ACCUMULATED VALUE OF ALL POLICY CASH FLOWS EQUALS OR EXCEEDS THE TOTAL POLICYOWNER VALUE AVAILABLE.

20. "SUPPLEMENTAL ILLUSTRATION" MEANS AN ILLUSTRATION THAT IS FURNISHED IN ADDITION TO A BASIC ILLUSTRATION AND THAT MAY BE PRESENTED IN A DIFFERENT FORMAT FROM THE BASIC ILLUSTRATION BUT THAT MAY DEPICT ONLY A SCALE OF NONGUARANTEED ELEMENTS AS PROVIDED IN THE BASIC ILLUSTRATION.

20-431.01. Applicability

THIS ARTICLE APPLIES TO ALL GROUP AND INDIVIDUAL LIFE INSURANCE POLICIES AND CERTIFICATES EXCEPT:

1. VARIABLE LIFE INSURANCE.
2. INDIVIDUAL AND GROUP ANNUITY CONTRACTS.
3. CREDIT LIFE INSURANCE.
4. LIFE INSURANCE POLICIES WITH NO ILLUSTRATED DEATH BENEFITS ON ANY INDIVIDUAL EXCEEDING $10,000.

20-431.02. Group and individual life insurance policy forms; identification for illustrated

A. EACH INSURER THAT MARKETS POLICIES SHALL NOTIFY THE DIRECTOR WHETHER A POLICY FORM WILL BE MARKETED WITH OR WITHOUT AN ILLUSTRATION. FOR ALL POLICY FORMS THAT ARE ACTIVELY MARKETED ON JANUARY 1, 2026, THE INSURER SHALL IDENTIFY THOSE POLICY FORMS AND WHETHER AN ILLUSTRATION WILL BE USED. FOR ALL POLICY FORMS THAT ARE FILED AFTER JANUARY 1, 2026, THE INSURER SHALL MAKE THIS IDENTIFICATION AT THE TIME OF FILING. AN INSURER MAY CHANGE AN IDENTIFICATION BY PROVIDING NOTICE TO THE DIRECTOR.

B. IF THE INSURER IDENTIFIES A POLICY FORM AS ONE TO BE MARKETED WITHOUT AN ILLUSTRATION, ANY USE OF AN ILLUSTRATION FOR ANY POLICY USING THAT FORM BEFORE THE FIRST POLICY ANNIVERSARY IS PROHIBITED.

C. IF THE INSURER IDENTIFIES A POLICY FORM AS ONE TO BE MARKETED WITH AN ILLUSTRATION, A BASIC ILLUSTRATION SHALL BE PREPARED AND DELIVERED IN ACCORDANCE WITH THIS ARTICLE, EXCEPT THAT A BASIC ILLUSTRATION DOES NOT NEED TO BE PROVIDED TO INDIVIDUAL MEMBERS OF A GROUP OR TO INDIVIDUALS WHO ARE INSURED UNDER MULTIPLE LIVES COVERAGE THAT IS ISSUED TO A SINGLE APPLICANT UNLESS THE COVERAGE IS MARKETED TO THESE INDIVIDUALS. FOR A GROUP LIFE INSURANCE POLICY OR A POLICY ISSUED TO A SINGLE APPLICANT ON MULTIPLE LIVES, THE INSURER MAY FURNISH EITHER AN INDIVIDUAL OR COMPOSITE ILLUSTRATION REPRESENTING COVERAGE ON THE LIVES OF MEMBERS OF THE GROUP OR THE MULTIPLE LIVES COVERED.

D. THE INSURER SHALL INCLUDE A QUOTE WITH THE ENROLLMENT MATERIALS THAT ARE PROVIDED TO POTENTIAL ENROLLEES OF NONTERM GROUP LIFE INSURANCE POLICIES THAT ARE SUBJECT TO THIS ARTICLE. THE QUOTE SHALL SHOW POTENTIAL POLICY VALUES FOR SAMPLE AGES AND POLICY YEARS ON A GUARANTEED AND NONGUARANTEED BASIS APPROPRIATE TO THE GROUP AND THE COVERAGE. THIS QUOTE IS NOT CONSIDERED AN ILLUSTRATION FOR THE PURPOSES OF THIS ARTICLE, BUT ALL INFORMATION PROVIDED SHALL BE CONSISTENT WITH THE ILLUSTRATED SCALE. THE INSURER SHALL PROVIDE A BASIC ILLUSTRATION AT THE DELIVERY OF THE CERTIFICATE TO ENROLLEES FOR NONTERM GROUP LIFE INSURANCE WHO HAVE ENROLLED IN MORE THAN THE MINIMUM PREMIUM NECESSARY TO PROVIDE PURE DEATH BENEFIT PROTECTION AND SHALL MAKE THE BASIC ILLUSTRATION AVAILABLE TO ANY NONTERM GROUP LIFE ENROLLEE ON REQUEST.

20-431.03. Life insurance policy illustrations; requirements; prohibitions

A. AN ILLUSTRATION THAT IS USED IN THE SALE OF A LIFE INSURANCE POLICY SHALL BE CLEARLY LABELED LIFE INSURANCE ILLUSTRATION AND SHALL CONTAIN ALL OF THE FOLLOWING:

1. THE NAME OF THE INSURER THAT ISSUED THE POLICY.

2. THE NAME AND BUSINESS ADDRESS OF THE PRODUCER OR THE INSURER'S AUTHORIZED REPRESENTATIVE, IF ANY.

3. THE NAME, AGE AND SEX OF THE PROPOSED INSURED, UNLESS A COMPOSITE ILLUSTRATION IS ALLOWED UNDER THIS ARTICLE.

4. THE UNDERWRITING OR RATING CLASSIFICATION ON WHICH THE ILLUSTRATION IS BASED.

5. THE GENERIC NAME OF THE POLICY, THE COMPANY PRODUCT NAME, IF DIFFERENT FROM THE GENERIC NAME OF THE POLICY, AND THE FORM NUMBER.

6. THE INITIAL DEATH BENEFIT.

7. DIVIDEND OPTION ELECTION OR APPLICATION OF NONGUARANTEED ELEMENTS, IF APPLICABLE.

B. WHEN USING AN ILLUSTRATION IN THE SALE OF A LIFE INSURANCE POLICY, AN INSURER OR ITS PRODUCERS OR OTHER AUTHORIZED REPRESENTATIVES MAY NOT:

1. REPRESENT THE POLICY AS ANYTHING OTHER THAN A LIFE INSURANCE POLICY.

2. USE OR DESCRIBE NONGUARANTEED ELEMENTS IN A MANNER THAT IS MISLEADING OR THAT HAS THE CAPACITY OR TENDENCY TO MISLEAD.

3. STATE OR IMPLY THAT THE PAYMENT OR AMOUNT OF NONGUARANTEED ELEMENTS IS GUARANTEED.

4. USE AN ILLUSTRATION THAT DOES NOT COMPLY WITH THIS ARTICLE.

5. USE AN ILLUSTRATION THAT DEPICTS POLICY PERFORMANCE THAT IS MORE FAVORABLE TO THE POLICYOWNER THAN THAT PRODUCED BY THE ILLUSTRATED SCALE.

6. PROVIDE AN APPLICANT WITH AN INCOMPLETE ILLUSTRATION.

7. REPRESENT IN ANY WAY THAT PREMIUM PAYMENTS WILL NOT BE REQUIRED FOR EACH YEAR OF THE POLICY IN ORDER TO MAINTAIN THE ILLUSTRATED DEATH BENEFITS, UNLESS THAT IS THE FACT.

8. USE THE TERM VANISH OR VANISHING PREMIUM OR A SIMILAR TERM THAT IMPLIES THE POLICY BECOMES PAID UP TO DESCRIBE A PLAN FOR USING NONGUARANTEED ELEMENTS TO PAY A PORTION OF FUTURE PREMIUMS.

9. EXCEPT FOR POLICIES THAT CAN NEVER DEVELOP NONFORFEITURE VALUES, USE A LAPSE-SUPPORTED ILLUSTRATION.

10. USE AN ILLUSTRATION THAT IS NOT A SELF-SUPPORTING ILLUSTRATION.

C. IF AN INTEREST RATE THAT IS USED TO DETERMINE THE ILLUSTRATED NONGUARANTEED ELEMENTS IS SHOWN, THE INTEREST RATE MAY NOT BE GREATER THAN THE EARNED INTEREST RATE UNDERLYING THE DISCIPLINED CURRENT SCALE.

20-431.04. Basic illustrations; format; narrative summary; numeric summary; tabular detail; requirements

A. THE FORMAT OF A BASIC ILLUSTRATION SHALL CONFORM WITH THE FOLLOWING REQUIREMENTS:

1. THE BASIC ILLUSTRATION SHALL BE LABELED WITH THE DATE ON WHICH THE ILLUSTRATION WAS PREPARED.

2. EACH PAGE, INCLUDING ANY EXPLANATORY NOTES OR PAGES, SHALL BE NUMBERED. THE PAGE NUMBERS MUST SHOW THE RELATIONSHIP TO THE TOTAL NUMBER OF PAGES IN THE ILLUSTRATION.

3. THE ASSUMED DATES OF PAYMENT RECEIPT AND BENEFIT PAYOUT WITHIN A POLICY YEAR SHALL BE CLEARLY IDENTIFIED.

4. IF THE AGE OF THE PROPOSED INSURED IS SHOWN AS A COMPONENT OF THE TABULAR DETAIL, THE PROPOSED INSURED'S AGE MUST BE SHOWN AS THE AGE PLUS THE NUMBER OF YEARS THE POLICY IS ASSUMED TO HAVE BEEN IN FORCE.

5. THE ASSUMED PAYMENTS ON WHICH THE ILLUSTRATED BENEFITS AND VALUES ARE BASED SHALL BE IDENTIFIED AS PREMIUM OUTLAY OR CONTRACT PREMIUM, AS APPLICABLE. FOR POLICIES THAT DO NOT REQUIRE A SPECIFIC CONTRACT PREMIUM, THE ILLUSTRATED PAYMENTS SHALL BE IDENTIFIED AS PREMIUM OUTLAY.

6. GUARANTEED DEATH BENEFITS AND VALUES AVAILABLE ON SURRENDER, IF ANY, FOR THE ILLUSTRATED PREMIUM OUTLAY OR CONTRACT PREMIUM SHALL BE SHOWN AND CLEARLY LABELED GUARANTEED.

7. IF THE ILLUSTRATION SHOWS ANY NONGUARANTEED ELEMENTS, THOSE ELEMENTS CANNOT BE BASED ON A SCALE MORE FAVORABLE TO THE POLICYOWNER THAN THE INSURER'S ILLUSTRATED SCALE AT ANY DURATION. THESE ELEMENTS SHALL BE CLEARLY LABELED NONGUARANTEED.

8. THE GUARANTEED ELEMENTS, IF ANY, SHALL BE SHOWN BEFORE ANY NONGUARANTEED ELEMENTS AND SHALL BE SPECIFICALLY REFERRED TO ON ANY PAGE

OF AN ILLUSTRATION THAT SHOWS OR DESCRIBES THE NONGUARANTEED ELEMENTS ONLY.

9. THE ACCOUNT OR ACCUMULATION VALUE OF A POLICY, IF SHOWN, SHALL BE IDENTIFIED BY THE NAME THIS VALUE IS GIVEN IN THE POLICY BEING ILLUSTRATED AND SHALL BE SHOWN IN CLOSE PROXIMITY TO THE CORRESPONDING VALUE THAT IS AVAILABLE ON SURRENDER.

10. THE VALUE THAT IS AVAILABLE ON SURRENDER SHALL BE IDENTIFIED BY THE NAME THIS VALUE IS GIVEN IN THE POLICY BEING ILLUSTRATED AND SHALL BE THE AMOUNT THAT IS AVAILABLE TO THE POLICYOWNER IN A LUMP SUM AFTER DEDUCTING SURRENDER CHARGES, POLICY LOANS AND POLICY LOAN INTEREST, AS APPLICABLE.

11. ILLUSTRATIONS MAY SHOW POLICY BENEFITS AND VALUES IN GRAPHIC OR CHART FORM IN ADDITION TO TABULAR FORM.

12. ANY ILLUSTRATION OF NONGUARANTEED ELEMENTS SHALL BE ACCOMPANIED BY A STATEMENT INDICATING ALL OF THE FOLLOWING:

(a) THE BENEFITS AND VALUES ARE NOT GUARANTEED.

(b) THE ASSUMPTIONS ON WHICH THE NONGUARANTEED ELEMENTS ARE BASED ARE SUBJECT TO CHANGE BY THE INSURER.

(c) THE ACTUAL RESULTS MAY BE MORE OR LESS FAVORABLE.

13. IF THE ILLUSTRATION SHOWS THAT THE PREMIUM PAYOR MAY HAVE THE OPTION TO ALLOW POLICY CHARGES TO BE PAID USING NONGUARANTEED VALUES, THE ILLUSTRATION MUST CLEARLY DISCLOSE THAT A CHARGE CONTINUES TO BE REQUIRED AND THAT, DEPENDING ON ACTUAL RESULTS, THE PREMIUM PAYOR MAY NEED TO CONTINUE OR RESUME PREMIUM OUTLAYS. A SIMILAR DISCLOSURE SHALL BE MADE FOR PREMIUM OUTLAY OF LESSER AMOUNTS OR SHORTER DURATIONS THAN THE CONTRACT PREMIUM. IF A CONTRACT PREMIUM IS DUE, THE PREMIUM OUTLAY DISPLAY MAY NOT BE LEFT BLANK OR SHOW A ZERO UNLESS THE PREMIUM OUTLAY DISPLAY IS ACCOMPANIED BY AN ASTERISK OR SIMILAR MARK TO DRAW ATTENTION TO THE FACT THAT THE POLICY IS NOT PAID UP.

14. IF THE APPLICANT PLANS TO USE DIVIDENDS OR POLICY VALUES, GUARANTEED OR NONGUARANTEED, TO PAY ALL OR A PORTION OF THE CONTRACT PREMIUM OR POLICY CHARGES OR FOR ANY OTHER PURPOSE, THE ILLUSTRATION MAY REFLECT THOSE PLANS AND THE IMPACT ON FUTURE POLICY BENEFITS AND VALUES.

B. A BASIC ILLUSTRATION SHALL CONTAIN A NARRATIVE SUMMARY THAT INCLUDES THE FOLLOWING:

1. A BRIEF DESCRIPTION OF THE POLICY BEING ILLUSTRATED THAT INCLUDES A STATEMENT THAT THE POLICY IS A LIFE INSURANCE POLICY.

2. A BRIEF DESCRIPTION OF THE PREMIUM OUTLAY OR CONTRACT PREMIUM, AS APPLICABLE, FOR THE POLICY. FOR A POLICY THAT DOES NOT REQUIRE PAYMENT OF A SPECIFIC CONTRACT PREMIUM, THE ILLUSTRATION SHALL SHOW THE PREMIUM OUTLAY THAT MUST BE PAID TO GUARANTEE COVERAGE FOR THE TERM OF THE CONTRACT, SUBJECT TO MAXIMUM PREMIUMS ALLOWABLE TO QUALIFY AS A LIFE INSURANCE POLICY UNDER THE APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE.

3. A BRIEF DESCRIPTION OF EACH POLICY FEATURE, RIDER OR OPTION, GUARANTEED OR NONGUARANTEED, THAT IS SHOWN IN THE BASIC ILLUSTRATION AND THE IMPACT THEY MAY HAVE ON THE BENEFITS AND VALUES OF THE POLICY.

4. AN IDENTIFICATION AND BRIEF DEFINITION OF COLUMN HEADINGS AND KEY TERMS THAT ARE USED IN THE ILLUSTRATION.

5. A STATEMENT THAT CONTAINS IN SUBSTANCE THE FOLLOWING: "THIS ILLUSTRATION ASSUMES THAT THE CURRENTLY ILLUSTRATED NONGUARANTEED ELEMENTS WILL CONTINUE UNCHANGED FOR ALL YEARS SHOWN, WHICH IS LIKELY NOT TO OCCUR. THE ACTUAL RESULTS MAY BE MORE OR LESS FAVORABLE THAN THE ONES SHOWN IN THIS ILLUSTRATION".

C. FOLLOWING THE NARRATIVE SUMMARY, A BASIC ILLUSTRATION SHALL INCLUDE A NUMERIC SUMMARY OF THE DEATH BENEFITS AND VALUES AND THE PREMIUM OUTLAY AND CONTRACT PREMIUM, AS APPLICABLE. FOR A POLICY THAT PROVIDES FOR A CONTRACT PREMIUM, THE GUARANTEED DEATH BENEFITS AND VALUES SHALL BE BASED ON THE CONTRACT PREMIUM. THIS SUMMARY SHALL BE SHOWN FOR AT LEAST POLICY YEARS FIVE, TEN AND TWENTY AND AT AGE SEVENTY, IF APPLICABLE, ON THE THREE BASES LISTED IN SUBSECTION D OF THIS SECTION. FOR MULTIPLE LIFE POLICIES, THE NUMERIC SUMMARY SHALL SHOW POLICY YEARS FIVE, TEN, TWENTY AND THIRTY.

D. FOR THE PURPOSES OF THE NUMERIC SUMMARY UNDER SUBSECTION C OF THIS SECTION, ALL OF THE FOLLOWING APPLY:

1. THE THREE BASES INCLUDE:

(a) POLICY GUARANTEES.

(b) INSURER'S ILLUSTRATED SCALE.

(c) INSURER'S ILLUSTRATED SCALE USED BUT WITH THE NONGUARANTEED ELEMENTS REDUCED AS FOLLOWS:

(i) DIVIDENDS AT FIFTY PERCENT OF THE DIVIDENDS THAT ARE CONTAINED IN THE ILLUSTRATED SCALE USED.

(ii) NONGUARANTEED CREDITED INTEREST AT RATES THAT ARE THE AVERAGE OF THE GUARANTEED RATES AND THE RATES THAT ARE CONTAINED IN THE ILLUSTRATED SCALE USED.

(iii) ALL NONGUARANTEED CHARGES, INCLUDING TERM INSURANCE CHARGES, MORTALITY AND EXPENSE CHARGES, AT RATES THAT ARE THE AVERAGE OF THE GUARANTEED RATES AND THE RATES CONTAINED IN THE ILLUSTRATED SCALE USED.

2. IF COVERAGE CEASES BEFORE THE POLICY MATURES OR WHEN THE POLICYOWNER REACHES ONE HUNDRED YEARS OF AGE, THE YEAR IN WHICH COVERAGE CEASES SHALL BE IDENTIFIED FOR EACH OF THE THREE BASES LISTED IN PARAGRAPH 1 OF THIS SUBSECTION.

E. STATEMENTS THAT ARE SUBSTANTIALLY SIMILAR TO THE FOLLOWING SHALL BE INCLUDED ON THE SAME PAGE AS THE NUMERIC SUMMARY AND SHALL BE SIGNED BY THE APPLICANT OR, IF AN ILLUSTRATION IS PROVIDED AT THE TIME OF DELIVERY, BY THE POLICY HOLDER:

1. A STATEMENT TO BE SIGNED AND DATED BY THE APPLICANT OR POLICYOWNER THAT STATES: "I HAVE RECEIVED A COPY OF THIS ILLUSTRATION AND UNDERSTAND THAT ANY NONGUARANTEED ELEMENTS ILLUSTRATED ARE SUBJECT TO CHANGE AND COULD BE EITHER HIGHER OR LOWER. THE AGENT HAS TOLD ME THEY ARE NOT GUARANTEED".

2. A STATEMENT TO BE SIGNED AND DATED BY THE INSURANCE PRODUCER OR OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER THAT STATES: "I CERTIFY THAT THIS ILLUSTRATION HAS BEEN PRESENTED TO THE APPLICANT AND THAT I HAVE EXPLAINED THAT ANY NONGUARANTEED ELEMENTS ILLUSTRATED ARE SUBJECT TO

CHANGE. I HAVE MADE NO STATEMENTS THAT ARE INCONSISTENT WITH THE ILLUSTRATION".

F. ALL OF THE FOLLOWING TABULAR DETAILS APPLY TO A BASIC ILLUSTRATION:

1. THE BASIC ILLUSTRATION SHALL INCLUDE ALL OF THE FOLLOWING FOR AT LEAST EACH POLICY YEAR FROM YEAR ONE TO TEN AND FOR EVERY FIFTH POLICY YEAR THEREAFTER UNTIL THE INSURED REACHES ONE HUNDRED YEARS OF AGE, POLICY MATURITY OR FINAL EXPIRATION [AND], EXCEPT FOR TERM INSURANCE BEYOND THE TWENTIETH YEAR, FOR ANY YEAR IN WHICH THE PREMIUM OUTLAY AND CONTRACT PREMIUM, IF APPLICABLE, IS SUBJECT TO CHANGE:

(a) THE PREMIUM OUTLAY AND MODE THE APPLICANT PLANS TO PAY AND THE CONTRACT PREMIUM, AS APPLICABLE.

(b) THE CORRESPONDING GUARANTEED DEATH BENEFIT, AS PROVIDED IN THE POLICY.

(c) THE CORRESPONDING GUARANTEED VALUE THAT IS AVAILABLE ON SURRENDER, AS PROVIDED IN THE POLICY.

2. FOR A POLICY THAT PROVIDES FOR A CONTRACT PREMIUM, THE GUARANTEED DEATH BENEFIT AND VALUE THAT IS AVAILABLE ON SURRENDER SHALL CORRESPOND TO THE CONTRACT PREMIUM.

3. NONGUARANTEED ELEMENTS MAY BE SHOWN IF THE NONGUARANTEED ELEMENTS ARE DESCRIBED IN THE CONTRACT. AN ILLUSTRATION FOR A POLICY FOR WHICH THE INSURER INTENDS TO CREDIT TERMINAL DIVIDENDS, THE NONGUARANTEED ELEMENTS MAY BE SHOWN IF THE INSURER'S CURRENT PRACTICE IS TO PAY TERMINAL DIVIDENDS. IF ANY NONGUARANTEED ELEMENTS ARE SHOWN, THE NONGUARANTEED ELEMENTS MUST BE SHOWN AT THE SAME DURATIONS AS THE CORRESPONDING GUARANTEED ELEMENTS, IF ANY. IF A GUARANTEED BENEFIT OR VALUE IS NOT AVAILABLE AT ANY DURATION FOR WHICH A NONGUARANTEED BENEFIT OR VALUE IS SHOWN, A ZERO SHALL BE DISPLAYED IN THE GUARANTEED COLUMN.

20-431.05. Supplemental illustrations; requirements

A. A SUPPLEMENTAL ILLUSTRATION MAY BE PROVIDED IF:

1. THE SUPPLEMENTAL ILLUSTRATION IS APPENDED TO, ACCOMPANIED BY OR PRECEDED BY A BASIC ILLUSTRATION THAT COMPLIES WITH THIS ARTICLE.

2. THE NONGUARANTEED ELEMENTS SHOWN ARE NOT MORE FAVORABLE TO THE POLICYOWNER THAN THE CORRESPONDING ELEMENTS BASED ON THE SCALE THAT IS USED IN THE BASIC ILLUSTRATION.

3. THE SUPPLEMENTAL ILLUSTRATION CONTAINS THE SAME STATEMENT REQUIRED OF A BASIC ILLUSTRATION THAT NONGUARANTEED ELEMENTS ARE NOT GUARANTEED.

4. FOR A POLICY THAT HAS A CONTRACT PREMIUM, THE CONTRACT PREMIUM UNDERLYING THE SUPPLEMENTAL ILLUSTRATION IS EQUAL TO THE CONTRACT PREMIUM SHOWN IN THE BASIC ILLUSTRATION. FOR POLICIES THAT DO NOT REQUIRE A CONTRACT PREMIUM, THE PREMIUM OUTLAY UNDERLYING THE SUPPLEMENTAL ILLUSTRATION MUST BE EQUAL TO THE PREMIUM OUTLAY SHOWN IN THE BASIC ILLUSTRATION.

B. THE SUPPLEMENTAL ILLUSTRATION SHALL INCLUDE A NOTICE REFERRING TO THE BASIC ILLUSTRATION FOR GUARANTEED ELEMENTS AND OTHER IMPORTANT INFORMATION.

20-431.06. Delivery of illustrations; record retention; requirements

A. IF A BASIC ILLUSTRATION IS USED BY AN INSURANCE PRODUCER OR OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER IN THE SALE OF A LIFE INSURANCE POLICY AND THE POLICY IS APPLIED FOR AS ILLUSTRATED, A COPY OF THAT ILLUSTRATION, SIGNED IN ACCORDANCE WITH THIS ARTICLE, SHALL BE SUBMITTED TO THE INSURER AT THE TIME OF POLICY APPLICATION. A COPY SHALL ALSO BE PROVIDED TO THE APPLICANT.

B. IF THE POLICY IS ISSUED OTHER THAN AS APPLIED FOR, A REVISED BASIC ILLUSTRATION THAT CONFORMS TO THE POLICY AS ISSUED SHALL BE SENT WITH THE POLICY. THE REVISED ILLUSTRATION SHALL CONFORM TO THE REQUIREMENTS OF THIS ARTICLE, SHALL BE LABELED REVISED ILLUSTRATION AND SHALL BE SIGNED AND DATED BY THE APPLICANT OR POLICYOWNER AND PRODUCER OR OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER NOT LATER THAN THE TIME THE POLICY IS DELIVERED. A COPY SHALL BE PROVIDED TO THE INSURER AND THE POLICYOWNER.

C. IF AN ILLUSTRATION IS NOT USED BY AN INSURANCE PRODUCER OR OTHER AUTHORIZED REPRESENTATIVE IN THE SALE OF A LIFE INSURANCE POLICY OR IF THE POLICY IS APPLIED FOR OTHER THAN AS ILLUSTRATED, THE PRODUCER OR AUTHORIZED REPRESENTATIVE SHALL CERTIFY TO THAT EFFECT IN WRITING ON A FORM PROVIDED BY THE INSURER. ON THE SAME FORM, THE APPLICANT SHALL ACKNOWLEDGE THAT AN ILLUSTRATION CONFORMING TO THE POLICY APPLIED FOR WAS NOT PROVIDED AND SHALL FURTHER ACKNOWLEDGE AN UNDERSTANDING THAT AN ILLUSTRATION CONFORMING TO THE POLICY AS ISSUED WILL BE PROVIDED NOT LATER THAN AT THE TIME OF POLICY DELIVERY. THE APPLICANT SHALL SUBMIT THIS FORM TO THE INSURER AT THE TIME OF POLICY APPLICATION.

D. IF THE POLICY IS ISSUED, A BASIC ILLUSTRATION THAT CONFORMS TO THE POLICY AS ISSUED SHALL BE SENT WITH THE POLICY AND SIGNED IN ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION NOT LATER THAN THE TIME THE POLICY IS DELIVERED. A COPY SHALL BE PROVIDED TO THE INSURER AND THE POLICYOWNER.

E. IF THE INSURER MAILS THE BASIC ILLUSTRATION OR REVISED ILLUSTRATION TO THE APPLICANT OR POLICYOWNER, THE BASIC ILLUSTRATION OR REVISED ILLUSTRATION SHALL INCLUDE INSTRUCTIONS FOR THE APPLICANT OR POLICYOWNER TO SIGN THE DUPLICATE COPY OF THE NUMERIC SUMMARY PAGE OF THE ILLUSTRATION FOR THE POLICY ISSUED AND RETURN THE SIGNED COPY TO THE INSURER. THE INSURER'S OBLIGATION UNDER THIS SUBSECTION IS SATISFIED IF THE INSURER CAN DEMONSTRATE THAT IT HAS MADE A DILIGENT EFFORT TO SECURE A SIGNED COPY OF THE NUMERIC SUMMARY PAGE. THE INSURER'S REQUIREMENT TO MAKE A DILIGENT EFFORT IS SATISFIED IF THE INSURER INCLUDES IN THE MAILING A SELF-ADDRESSED, POSTAGE PREPAID ENVELOPE WITH INSTRUCTIONS FOR RETURNING THE SIGNED NUMERIC SUMMARY PAGE. IF THE APPLICANT OR POLICYOWNER CONSENTS TO TRANSACT INSURANCE ELECTRONICALLY, THE INSURER MAY SEND A COPY WITH INSTRUCTIONS FOR SIGNING AND RETURNING THE SIGNED COPY ELECTRONICALLY.

F. THE INSURER SHALL RETAIN A COPY OF THE BASIC ILLUSTRATION AND A REVISED BASIC ILLUSTRATION, IF ANY, SIGNED AS APPLICABLE, ALONG WITH ANY CERTIFICATION THAT EITHER NO ILLUSTRATION WAS USED OR THAT THE POLICY WAS APPLIED FOR OTHER THAN AS ILLUSTRATED UNTIL THREE YEARS AFTER THE POLICY

IS NO LONGER IN FORCE. THE INSURER DOES NOT NEED TO RETAIN A COPY IF A POLICY IS NOT ISSUED.

20-431.07. Annual report; notice to policyowners

A. IF A POLICY IS DESIGNATED AS ONE THAT WILL USE ILLUSTRATIONS, THE INSURER SHALL PROVIDE EACH POLICYOWNER WITH AN ANNUAL REPORT ON THE STATUS OF THE POLICY AS FOLLOWS:

1. FOR UNIVERSAL LIFE POLICIES, THE ANNUAL REPORT SHALL INCLUDE:

(a) THE BEGINNING DATE AND END DATE OF THE CURRENT REPORT PERIOD.

(b) THE POLICY VALUE AT THE END OF THE PREVIOUS REPORT PERIOD AND AT THE END OF THE CURRENT REPORT PERIOD.

(c) THE TOTAL AMOUNTS THAT HAVE BEEN CREDITED OR DEBITED TO THE POLICY VALUE DURING THE CURRENT REPORT PERIOD, IDENTIFYING EACH BY TYPE AND INCLUDING INTEREST, MORTALITY, EXPENSE AND RIDERS.

(d) THE CURRENT DEATH BENEFIT AT THE END OF THE CURRENT REPORT PERIOD ON EACH LIFE COVERED BY THE POLICY.

(e) THE NET CASH SURRENDER VALUE OF THE POLICY AS OF THE END OF THE CURRENT REPORT PERIOD.

(f) THE AMOUNT OF OUTSTANDING LOANS, IF ANY, AS OF THE END OF THE CURRENT REPORT PERIOD.

(g) FOR FIXED PREMIUM POLICIES, A NOTICE [~~THAT~~] [WHETHER] THE POLICY'S NET CASH SURRENDER VALUE IS SUCH THAT IT WOULD NOT MAINTAIN INSURANCE IN FORCE UNTIL THE END OF THE NEXT REPORTING PERIOD, ASSUMING GUARANTEED INTEREST, MORTALITY AND EXPENSE LOADS AND CONTINUED SCHEDULED PREMIUM PAYMENTS.

(h) FOR FLEXIBLE PREMIUM POLICIES, A NOTICE [~~THAT~~] [WHETHER] THE POLICY'S NET CASH SURRENDER VALUE WILL NOT MAINTAIN INSURANCE IN FORCE UNTIL THE END OF THE NEXT REPORTING PERIOD UNLESS FURTHER PREMIUM PAYMENTS ARE MADE, ASSUMING GUARANTEED INTEREST, MORTALITY AND EXPENSE LOADS.

2. FOR ALL OTHER POLICIES, WHERE APPLICABLE, THE ANNUAL REPORT SHALL INCLUDE THE FOLLOWING:

(a) CURRENT DEATH BENEFIT.

(b) ANNUAL CONTRACT PREMIUM.

(c) CURRENT CASH SURRENDER VALUE.

(d) CURRENT DIVIDEND.

(e) APPLICATION OF CURRENT DIVIDEND.

(f) AMOUNT OF OUTSTANDING LOAN.

B. INSURERS WRITING LIFE INSURANCE POLICES THAT DO NOT BUILD NONFORFEITURE VALUES SHALL BE REQUIRED TO PROVIDE AN ANNUAL REPORT WITH RESPECT TO SUCH POLICIES ONLY FOR THOSE YEARS WHEN THE INSURER HAS MADE A CHANGE TO NONGUARANTEED POLICY ELEMENTS.

C. IF THE ANNUAL REPORT DOES NOT INCLUDE AN IN-FORCE ILLUSTRATION, THE ANNUAL REPORT SHALL CONTAIN THE FOLLOWING PROMINENTLY DISPLAYED NOTICE: "IMPORTANT POLICYOWNER NOTICE: YOU SHOULD CONSIDER REQUESTING MORE DETAILED INFORMATION ABOUT YOUR POLICY TO UNDERSTAND HOW IT MAY PERFORM IN THE FUTURE. YOU SHOULD NOT CONSIDER REPLACEMENT OF YOUR POLICY OR MAKE CHANGES IN YOUR COVERAGE WITHOUT REQUESTING A CURRENT ILLUSTRATION. YOU MAY ANNUALLY REQUEST, WITHOUT CHARGE, AN ILLUSTRATION BY CALLING (INSURER'S TELEPHONE NUMBER), WRITING TO (INSURER'S NAME) AT (INSURER'S

ADDRESS OR EMAIL ADDRESS) OR CONTACTING YOUR AGENT. IF YOU DO NOT RECEIVE A CURRENT ILLUSTRATION OF YOUR POLICY WITHIN THIRTY DAYS FROM THE DATE OF YOUR REQUEST, YOU SHOULD CONTACT YOUR STATE INSURANCE DEPARTMENT." THE INSURER MAY VARY THE SEQUENTIAL ORDER OF THE METHODS FOR OBTAINING AN IN-FORCE ILLUSTRATION.

D. ON REQUEST OF A POLICYOWNER, THE INSURER SHALL FURNISH AN IN-FORCE ILLUSTRATION OF CURRENT AND FUTURE BENEFITS AND VALUES BASED ON THE INSURER'S PRESENT ILLUSTRATED SCALE. THIS ILLUSTRATION SHALL COMPLY WITH SECTION 20-431.03, SUBSECTIONS A AND B [AND SECTION 20-431.04, SUBSECTIONS A AND F]. A SIGNATURE OR OTHER ACKNOWLEDGEMENT OF RECEIPT OF THIS ILLUSTRATION IS NOT REQUIRED.

E. IF THE INSURER MAKES AN ADVERSE CHANGE IN NONGUARANTEED ELEMENTS THAT COULD AFFECT THE POLICY [SINCE THE LAST ANNUAL REPORT], THE ANNUAL REPORT SHALL CONTAIN A NOTICE OF THAT FACT AND SHALL PROMINENTLY DISPLAY THE NATURE OF THE CHANGE.

20-431.08. Illustration actuaries; annual certifications

A. THE BOARD OF DIRECTORS OF EACH INSURER SHALL APPOINT ONE OR MORE ILLUSTRATION ACTUARIES.

B. THE ILLUSTRATION ACTUARY SHALL CERTIFY THAT THE DISCIPLINED CURRENT SCALE THAT IS USED IN ILLUSTRATIONS CONFORMS WITH THE ACTUARIAL STANDARD OF PRACTICE FOR COMPLIANCE WITH THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS MODEL REGULATION ON LIFE INSURANCE ILLUSTRATIONS THAT IS ADOPTED BY THE ACTUARIAL STANDARDS BOARD AND THAT THE ILLUSTRATED SCALES USED IN INSURER AUTHORIZED ILLUSTRATIONS MEET THE REQUIREMENTS OF THIS ARTICLE.

C. THE ILLUSTRATION ACTUARY SHALL:

1. BE A MEMBER IN GOOD STANDING OF THE AMERICAN ACADEMY OF ACTUARIES.

2. BE FAMILIAR WITH THE STANDARD OF PRACTICE REGARDING LIFE INSURANCE POLICY ILLUSTRATIONS.

3. AFTER NOTICE AND A HEARING, NOT HAVE BEEN FOUND BY THE DIRECTOR TO HAVE:

(a) VIOLATED ANY PROVISION OF, OR ANY OBLIGATION IMPOSED BY, THIS TITLE OR ANY OTHER LAW IN THE COURSE OF THE INDIVIDUAL'S DEALINGS AS AN ILLUSTRATION ACTUARY.

(b) BEEN FOUND GUILTY OF FRAUDULENT OR DISHONEST PRACTICES.

(c) DEMONSTRATED INCOMPETENCE, LACK OF COOPERATION OR UNTRUSTWORTHINESS TO ACT AS AN ILLUSTRATION ACTUARY.

(d) RESIGNED OR BEEN REMOVED AS AN ILLUSTRATION ACTUARY WITHIN THE PREVIOUS FIVE YEARS AS A RESULT OF ACTS OR OMISSIONS INDICATED IN ANY ADVERSE REPORT ON EXAMINATION OR AS A RESULT OF A FAILURE TO ADHERE TO GENERALLY ACCEPTABLE ACTUARIAL STANDARDS.

4. NOTIFY THE DIRECTOR OF ANY ACTION TAKEN BY THE INSURANCE DIRECTOR OF ANOTHER STATE FOR ACTS SIMILAR TO THOSE LISTED IN PARAGRAPH 3 OF THIS SUBSECTION.

5. DISCLOSE THE FOLLOWING IN THE ANNUAL CERTIFICATION, AS APPLICABLE:

(a) SINCE THE LAST ANNUAL CERTIFICATION, WHETHER A CURRENTLY PAYABLE SCALE APPLICABLE FOR BUSINESS ISSUED WITHIN THE PREVIOUS FIVE YEARS AND WITHIN THE SCOPE OF THE CERTIFICATION WAS REDUCED FOR REASONS OTHER THAN CHANGES IN THE EXPERIENCE FACTORS UNDERLYING THE DISCIPLINED CURRENT SCALE.

(b) IF NONGUARANTEED ELEMENTS ILLUSTRATED FOR NEW POLICIES ARE NOT CONSISTENT WITH THOSE ILLUSTRATED FOR SIMILAR IN-FORCE POLICIES.

(c) IF NONGUARANTEED ELEMENTS ILLUSTRATED FOR BOTH NEW AND IN-FORCE POLICIES ARE INCONSISTENT WITH THE NONGUARANTEED ELEMENTS ACTUALLY BEING PAID, CHARGED OR CREDITED TO THE SAME OR SIMILAR FORMS.

6. DISCLOSE IN THE ANNUAL CERTIFICATION THE METHOD THAT IS USED TO ALLOCATE OVERHEAD EXPENSES FOR ALL ILLUSTRATIONS AS BEING ONE OF THE FOLLOWING:

(a) FULLY ALLOCATED EXPENSES.

(b) MARGINAL EXPENSES.

(c) A GENERALLY RECOGNIZED EXPENSE TABLE THAT IS BASED ON FULLY ALLOCATED EXPENSES REPRESENTING A SIGNIFICANT PORTION OF INSURANCE COMPANIES AND THAT IS APPROVED BY THE [~~NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS~~] [DIRECTOR].

D. THE ILLUSTRATION ACTUARY SHALL FILE THE ANNUAL CERTIFICATION WITH THE BOARD OF DIRECTORS OF THE INSURER AND WITH THE DIRECTOR AS FOLLOWS:

1. ANNUALLY FOR ALL POLICY FORMS FOR WHICH ILLUSTRATIONS ARE USED.

2. BEFORE A NEW POLICY FORM IS ILLUSTRATED.

E. THE ILLUSTRATION ACTUARY SHALL PROMPTLY NOTIFY THE BOARD OF DIRECTORS AND THE DIRECTOR IF AN ERROR IS FOUND IN PREVIOUS CERTIFICATION.

F. IF AN ILLUSTRATION ACTUARY IS UNABLE TO CERTIFY THE SCALE FOR ANY POLICY FORM ILLUSTRATION THAT THE INSURER INTENDS TO USE, THE ILLUSTRATION ACTUARY SHALL NOTIFY THE BOARD OF DIRECTORS OF THE INSURER AND THE DIRECTOR PROMPTLY OF THE ILLUSTRATION ACTUARY'S INABILITY TO CERTIFY.

G. A RESPONSIBLE OFFICER OF THE INSURER, OTHER THAN THE ILLUSTRATION ACTUARY, SHALL CERTIFY ANNUALLY BOTH OF THE FOLLOWING:

1. THAT THE ILLUSTRATION FORMATS MEET THE REQUIREMENTS OF THIS ARTICLE AND THAT THE SCALES USED IN INSURER-AUTHORIZED ILLUSTRATIONS ARE THOSE SCALES THAT HAVE BEEN CERTIFIED BY THE ILLUSTRATION ACTUARY.

2. THAT THE COMPANY HAS PROVIDED ITS AGENTS WITH INFORMATION ABOUT THE EXPENSE ALLOCATION METHOD USED IN ITS ILLUSTRATIONS AS DISCLOSED IN SUBSECTION C, PARAGRAPH 6 OF THIS SECTION.

H. THE ANNUAL CERTIFICATIONS SHALL BE PROVIDED TO THE DIRECTOR EACH YEAR BY THE DATE DETERMINED BY THE [~~INSURER~~] [DIRECTOR].

I. IF AN INSURER CHANGES THE ILLUSTRATION ACTUARY WHO IS RESPONSIBLE FOR ALL OR A PORTION OF THE COMPANY'S POLICY FORMS, THE INSURER SHALL NOTIFY THE DIRECTOR OF THE CHANGE PROMPTLY AS WELL AS THE REASON FOR THE CHANGE.

20-431.09. Penalties

IN ADDITION TO ANY OTHER PENALTIES PROVIDED BY LAW, AN INSURER OR PRODUCER THAT VIOLATES THIS ARTICLE COMMITS AN UNFAIR TRADE PRACTICE IN VIOLATION OF SECTION 20-442.

Sec. 2. Effective date

This act is effective from and after December 31, 2025.

Enroll and engross to conform

Amend title to conform

JEFF WENINGER

2076WENINGER.docx
01/17/2025
11:28 AM
H: PRB/ls

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

ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2076

DATE January 21, 2025 MOTION: DPA

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Livingston		✓			
Villegas		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	0	0	0

Abby Delvey
COMMITTEE SECRETARY

APPROVED:
Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 14