



**Bill Number: S.B. 1593**

**Barto Floor Amendment**

**Reference to: printed bill**

**Amendment drafted by: Leg Council**

## **FLOOR AMENDMENT EXPLANATION**

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- **Makes conforming changes regarding foreign insurers.**
- **Requires each insurer that issues a policy for health or sickness coverage to file a report with the Director on or before March 1st of each year detailing its financial condition, transactions and affairs as of the preceding December 31st for transactions in Arizona.**
- **Adds a severability clause.**
- **Makes other technical and conforming changes.**

Amendment explanation prepared by Bill Ritz

3/2/2011

BARTO FLOOR AMENDMENT  
SENATE AMENDMENTS TO S.B. 1593  
(Reference to printed bill)

1 Page 1, between lines 1 and 2, insert:

2 "Section 1. Section 20-221, Arizona Revised Statutes, is amended to  
3 read:

4 20-221. Director as agent for service of process

5 A. Each authorized foreign or alien insurer, **INCLUDING FOREIGN**  
6 **INSURERS THAT ISSUE POLICIES IN THIS STATE PURSUANT TO SECTION 20-238**, shall  
7 appoint the director as its attorney to receive service of legal process  
8 issued against it in this state. The appointment shall be irrevocable, shall  
9 bind any successor in interest or to the assets or liabilities of the insurer  
10 and shall remain in effect as long as there is in force in this state any  
11 contract made by the insurer or obligations arising therefrom.

12 B. Service of process against a foreign or alien insurer shall be made  
13 only by service of process upon the director. Service of process against a  
14 domestic insurer shall be made upon the insurer corporation in the manner  
15 provided by laws applying to corporations generally, or upon the insurer's  
16 attorney-in-fact if a reciprocal insurer.

17 C. Each foreign or alien insurer at the time of application for a  
18 certificate of authority, **OR BEFORE A FOREIGN INSURER ISSUES A POLICY IN THIS**  
19 **STATE PURSUANT TO SECTION 20-238**, shall file with the director the name and  
20 address of a designated person to whom process against it served upon the  
21 director is to be forwarded. The insurer may change such designation by a  
22 new filing.

23 D. Any authorized domestic insurer who does not have or maintain a  
24 statutory agent shall appoint the director as its attorney to receive service  
25 of legal process issued against it in this state.

26 Sec. 2. Section 20-224, Arizona Revised Statutes, is amended to read:  
27 20-224. Premium tax

28 A. On or before March 1 of each year each authorized domestic insurer,  
29 **EACH FOREIGN INSURER THAT ISSUES POLICIES IN THIS STATE PURSUANT TO SECTION**  
30 **20-238**, each other insurer and each formerly authorized insurer referred to  
31 in section 20-206, subsection B shall file with the director a report in a  
32 form prescribed by the director showing total direct premium income including  
33 policy membership and other fees and all other considerations for insurance

1 from all classes of business whether designated as a premium or otherwise  
2 received by it during the preceding calendar year on account of policies and  
3 contracts covering property, subjects or risks located, resident or to be  
4 performed in this state, after deducting from such total direct premium  
5 income applicable cancellations, returned premiums, the amount of reduction  
6 in or refund of premiums allowed to industrial life policyholders for payment  
7 of premiums direct to an office of the insurer and all policy dividends,  
8 refunds, savings coupons and other similar returns paid or credited to  
9 policyholders within this state and not reapplied as premiums for new,  
10 additional or extended insurance. No deduction shall be made of the cash  
11 surrender values of policies or contracts. Considerations received on  
12 annuity contracts, as well as the unabsorbed portion of any premium deposit,  
13 shall not be included in total direct premium income, and neither shall be  
14 subject to tax. The report shall separately indicate the total direct fire  
15 insurance premium income received from property located in the incorporated  
16 cities and towns certified by the state fire marshal pursuant to section  
17 9-951, subsection B, as procuring the services of a private fire company.

18 B. Coincident with the filing of such tax report each insurer shall  
19 pay to the director for deposit, pursuant to sections 35-146 and 35-147, a  
20 tax of 2.0 per cent of such net premiums, except that the tax on fire  
21 insurance premiums on property located in an incorporated city or town  
22 certified by the state fire marshal pursuant to section 9-951, subsection B,  
23 as procuring the services of a private fire company is .66 per cent, the tax  
24 on all other fire insurance premiums is 2.2 per cent and the tax on health  
25 care service and disability insurance premiums is as prescribed under  
26 sections 20-837, 20-1010 and 20-1060. Any payments of tax pursuant to  
27 subsection E of this section shall be deducted from the tax payable pursuant  
28 to this subsection. Each insurer shall reflect the cost savings attributable  
29 to the lower tax in fire insurance premiums charged on property located in an  
30 incorporated city or town certified by the state fire marshal pursuant to  
31 section 9-951, subsection B, as procuring the services of a private fire  
32 company. No insurer shall be liable to the state or to any other person, or  
33 shall be subject to regulatory action, relating to the calculation or  
34 submittal of fire insurance premium taxes based in good faith upon the state  
35 fire marshal's certification.

36 C. Eighty-five per cent of the tax paid under this section by an  
37 insurer on account of premiums received for fire insurance shall be

1 separately specified in the report and shall be apportioned in the manner  
2 provided by sections 9-951, 9-952 and 9-972, except that all of the tax so  
3 allocated to a fund of a municipality or fire district that has no volunteer  
4 fire fighters or pension obligations to volunteer fire fighters shall be  
5 appropriated to the account of the municipality or fire district in the  
6 public safety personnel retirement system and all of the tax so allocated to  
7 a fund of a municipality or fire district that has both full-time paid fire  
8 fighters and volunteer fire fighters or pension obligations to full-time paid  
9 fire fighters or volunteer fire fighters shall be appropriated to the account  
10 of the municipality or fire district in the public safety personnel  
11 retirement system where it shall be reallocated by actuarial procedures  
12 proportionately to the municipality or fire district for the account of the  
13 full-time paid fire fighters and to the municipality or fire district for the  
14 account of the volunteer fire fighters. A municipality or fire district  
15 shall provide to the public safety personnel retirement system all  
16 information that the system deems necessary to perform the reallocation  
17 prescribed by this section. A full accounting of such reallocation shall be  
18 forwarded to the municipality or fire district and their local boards.

19 D. This section shall not apply to title insurance, and such insurers  
20 shall be taxed as provided in section 20-1566.

21 E. Any insurer that paid or is required to pay a tax of two thousand  
22 dollars or more on net premiums received during the preceding calendar year,  
23 pursuant to subsection B of this section and sections 20-224.01, 20-837,  
24 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day of  
25 each month from March through August a report for that month, on a form  
26 prescribed by the director, accompanied by a payment in an amount equal to  
27 fifteen per cent of the amount paid or required to be paid during the  
28 preceding calendar year pursuant to subsection B of this section and sections  
29 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments are due and  
30 payable on or before the fifteenth day of each month and shall be made to the  
31 director for deposit, pursuant to sections 35-146 and 35-147.

32 F. Except for the tax paid on fire insurance premiums pursuant to  
33 subsections B and C of this section, an insurer may claim a premium tax  
34 credit if the insurer qualifies for a credit pursuant to section 20-224.03,  
35 20-224.04, 20-224.06 or 20-224.07.

36 G. On receipt of a properly documented claim, a refund shall be  
37 provided to an insurer from available funds for the excess amount of any fire

1 insurance premium improperly paid by the insurer. The insurer shall reflect  
2 the refund in the fire insurance premiums charged on the property that was  
3 charged the excessive amount."

4 Renumber to conform

5 Page 1, line 9, strike "TRANSACTION" insert "ISSUE"

6 Line 10, after "STATE" insert ", AND A PERSON MAY PURCHASE A POLICY, CONTRACT,  
7 PLAN, COVERAGE OR EVIDENCE OF COVERAGE,"

8 Page 2, between lines 23 and 24, insert:

9 "G. EACH INSURER THAT ISSUES ANY POLICY, CONTRACT, PLAN, COVERAGE OR  
10 EVIDENCE OF COVERAGE FOR HEALTH OR SICKNESS COVERAGE PURSUANT TO SUBSECTION A  
11 OF THIS SECTION SHALL ON OR BEFORE MARCH 1 OF EACH YEAR FILE WITH THE  
12 DIRECTOR A REPORT OF ITS FINANCIAL CONDITION, TRANSACTIONS AND AFFAIRS AS OF  
13 THE PRECEDING DECEMBER 31 FOR TRANSACTIONS IN THIS STATE."

14 Reletter to conform

15 After line 25, insert:

16 "Sec. 4. Section 20-441, Arizona Revised Statutes, is amended to read:  
17 20-441. Purpose of article; definition

18 A. Among the purposes of this article is the regulation of trade  
19 practices in the business of insurance in accordance with the intent of  
20 Congress as expressed in the act of Congress of March 9, 1945, 59 Stat. 33,  
21 by defining, or providing for the determination of, all such practices in  
22 this state that constitute unfair methods of competition or unfair or  
23 deceptive acts or practices and by prohibiting the trade practices so defined  
24 or determined.

25 B. For the purposes of this article, "insurance company" or "insurer"  
26 means any:

- 27 1. Stock, mutual, reciprocal or title insurer.
- 28 2. Fraternal benefit society.
- 29 3. Health care services organization.
- 30 4. Hospital, medical, dental and optometric service corporation.
- 31 5. Prepaid dental plan organization.
- 32 6. Mechanical reimbursement reinsurer.
- 33 7. Prepaid legal plan.
- 34 8. Lloyd's association.
- 35 9. Service company as defined in this title.

36 10. FOREIGN INSURERS THAT ISSUE POLICIES IN THIS STATE PURSUANT TO  
37 SECTION 20-238.

1           ~~10.~~ 11. ~~Any~~ Other entity licensed under this title.

2           Sec. 5. Severability

3           If a provision of this act or its application to any person or  
4           circumstance is held invalid, the invalidity does not affect other provisions  
5           or applications of the act that can be given effect without the invalid  
6           provision or application, and to this end the provisions of this act are  
7           severable."

8           Amend title to conform

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