STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

March 22, 2019

The Honorable Katie Hobbs
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Hobbs:

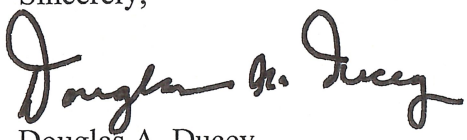
I am transmitting to you the following bills from the Fifty-fourth Legislature, 1st Regular Session, which I signed on March 22nd, 2019:

SB 1004 insurance; surplus lines; reports; payments (Livingston)
SB 1006 internationally active insurance groups; supervision (Livingston)
SB 1008 insurance; prohibited inducements; exceptions (Livingston)
SB 1021 commission for postsecondary education; continuation (S. Allen)
SB 1052 certificates of title; applications (Livingston)
SB 1072 early voting centers; identification required (Ugenti-Rita)
SB 1093 prisoner accounts; use; ADOT credentialing. (Livingston)
SB 1113 insurance; information practices (Livingson)
SB 1212 prepaid legal insurance contracts; definition (Livingston)
SB 1218 beneficiary deeds; separate property; nonlapse (Leach)
SB 1309 renewal of judgments; applicability (E. Farnsworth)
SB 1317 bodily fluids exposure; testing (Boyer)
SB 1333 real estate appraisal (Mesnard)
SB 1474 POW/MIA flag; display (Contreras)
HB 2004 nuclear management fund; appropriation; assessment (Kavanagh)
HB 2007 ASRS; political subdivision plans; adjustments (Kavanagh)
HB 2009 navigable stream adjudication commission; extension (Griffin)
HB 2023 political signs; ballot measures; tampering (Kavanagh)
HB 2112 community property award; convicted spouse (Griffin)
HB 2230 writ of garnishment; certified mail (J. Allen)
HB 2284 credit unions; declaration of purpose (Weninger)
HB 2363 tax lien sales; procedures (Toma)
HB 2421 animal cruelty; working animal; harassment (Blackman)
HB 2463 occupational regulations; licenses; communications; notice (Petersen)

1700 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007
602-542-4331 • www.azgovernor.gov

HB2464 water infrastructure finance; municipal approval (Shope)

Sincerely,



Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

Senate Engrossed

FILED
KATIE HOBBS
SECRETARY OF STATE

State of Arizona
Senate
Fifty-fourth Legislature
First Regular Session
2019

CHAPTER 11

SENATE BILL 1006

AN ACT

AMENDING SECTION 20-481, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-481.33; RELATING TO INSURANCE HOLDING COMPANY SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 20-481, Arizona Revised Statutes, is amended to read:

20-481. Definitions

In this article, unless the context otherwise requires:

1. "Affiliate" or person "affiliated" with a specific person means a person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the person specified.

2. "Continuing proxies" means proxies that are valid for more than one annual or special meeting of security holders and any adjournments thereof.

3. "Control" and "controlling" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote or holds proxies representing ten per cent or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by section 20-481.18 that control does not exist in fact. The director may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support such determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.

4. "Enterprise risk" means any activity, circumstance, event or series of events involving one or more affiliates of an insurer that if not remedied promptly is likely to have a material adverse effect on the financial condition or liquidity of the insurer or its insurance holding company system as a whole, including causing the insurer's risk-based capital to decrease to or below a company action level under section 20-488.02, or would cause an insurer to be in hazardous financial condition pursuant to section 20-220.01.

5. "GROUP-WIDE SUPERVISOR" MEANS THE REGULATORY OFFICIAL WHO IS AUTHORIZED TO ENGAGE IN CONDUCTING AND COORDINATING GROUP-WIDE SUPERVISION ACTIVITIES AND WHO IS DETERMINED OR ACKNOWLEDGED BY THE DIRECTOR PURSUANT TO SECTION 20-481.33 TO HAVE SUFFICIENT SIGNIFICANT CONTACTS WITH THE INTERNATIONALLY ACTIVE INSURANCE GROUP.

~~5.~~ 6. "Insurance holding company system" means two or more affiliated persons, one or more of whom is an insurer.

~~6.~~ 7. "Insurer" means every person engaged in the business of making contracts of insurance except:

(a) Agencies, authorities or instrumentalities of the United States, its possessions and territories, the Commonwealth of Puerto Rico, the District of Columbia or a state or political subdivision of a state.

(b) Nonprofit medical and hospital service associations.

(c) Credit life and disability reinsurers as defined in section 20-1082 that are not affiliated with another insurer as defined in section 20-104.

8. "INTERNATIONALLY ACTIVE INSURANCE GROUP" MEANS AN INSURANCE HOLDING COMPANY SYSTEM THAT INCLUDES AN INSURER REGISTERED PURSUANT TO SECTION 20-481.09 AND THAT MEETS THE FOLLOWING CRITERIA:

(a) HAS PREMIUMS WRITTEN IN AT LEAST THREE COUNTRIES.

(b) THE PERCENTAGE OF GROSS PREMIUMS WRITTEN OUTSIDE THE UNITED STATES IS AT LEAST TEN PERCENT OF THE INSURANCE HOLDING COMPANY SYSTEM'S TOTAL GROSS WRITTEN PREMIUMS.

(c) BASED ON A THREE-YEAR ROLLING AVERAGE, THE TOTAL ASSETS OF THE INSURANCE HOLDING COMPANY SYSTEM ARE AT LEAST $50,000,000,000, OR THE TOTAL GROSS WRITTEN PREMIUMS OF THE INSURANCE HOLDING COMPANY SYSTEM ARE AT LEAST $10,000,000,000.

~~7.~~ 9. "Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization and any similar entity or any combination of the foregoing acting in concert but does not include any joint venture partnership exclusively engaged in owning, managing, leasing or developing real or tangible personal property.

~~8.~~ 10. "Security holder of a specified person" means a person who owns any security of such person, including common stock, preferred stock, debt obligations, and any other security convertible into or evidencing the right to acquire any of the foregoing.

~~9.~~ 11. "Subsidiary of a specified person" means an affiliate controlled by such person directly or indirectly through one or more intermediaries.

~~10.~~ 12. "Supervisory college" means a temporary or permanent forum for communication and cooperation between regulators charged with the supervision of entities that belong to an insurance holding company system that has international operations.

~~11.~~ 13. "Voting security" means a security that carries with it a right to vote in decisions and also includes securities that are convertible into or evidence a right to acquire a security that includes such right to vote.

Sec. 2. Title 20, chapter 2, article 8, Arizona Revised Statutes, is amended by adding section 20-481.33, to read:

20-481.33. <u>Director's authorization; group-wide supervision; internationally active insurance groups</u>

A. THE DIRECTOR MAY ACT AS THE GROUP-WIDE SUPERVISOR FOR ANY INTERNATIONALLY ACTIVE INSURANCE GROUP IN ACCORDANCE WITH THIS SECTION.

HOWEVER, THE DIRECTOR MAY OTHERWISE ACKNOWLEDGE ANOTHER REGULATORY OFFICIAL AS THE GROUP-WIDE SUPERVISOR WHERE THE INTERNATIONALLY ACTIVE INSURANCE GROUP:

1. DOES NOT HAVE SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED STATES.

2. HAS SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED STATES BUT NOT IN THIS STATE.

3. HAS SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED STATES AND THIS STATE, BUT THE DIRECTOR HAS DETERMINED PURSUANT TO THE FACTORS SET FORTH IN SUBSECTIONS C AND H OF THIS SECTION THAT THE OTHER REGULATORY OFFICIAL IS THE APPROPRIATE GROUP-WIDE SUPERVISOR.

B. AN INSURANCE HOLDING COMPANY SYSTEM THAT DOES NOT OTHERWISE QUALIFY AS AN INTERNATIONALLY ACTIVE INSURANCE GROUP MAY REQUEST THAT THE DIRECTOR MAKE A DETERMINATION OR ACKNOWLEDGMENT AS TO A GROUP-WIDE SUPERVISOR PURSUANT TO THIS SECTION.

C. IN COOPERATION WITH ANY OTHER STATE, FEDERAL AND INTERNATIONAL REGULATORY AGENCY, THE DIRECTOR SHALL IDENTIFY A SINGLE GROUP-WIDE SUPERVISOR FOR AN INTERNATIONALLY ACTIVE INSURANCE GROUP. THE DIRECTOR MAY DETERMINE THAT THE DIRECTOR IS THE APPROPRIATE GROUP-WIDE SUPERVISOR FOR AN INTERNATIONALLY ACTIVE INSURANCE GROUP THAT CONDUCTS SUBSTANTIAL INSURANCE OPERATIONS CONCENTRATED IN THIS STATE. HOWEVER, THE DIRECTOR MAY ACKNOWLEDGE THAT A REGULATORY OFFICIAL FROM ANOTHER JURISDICTION IS THE APPROPRIATE GROUP-WIDE SUPERVISOR FOR THE INTERNATIONALLY ACTIVE INSURANCE GROUP. THE DIRECTOR SHALL CONSIDER THE FOLLOWING FACTORS WHEN MAKING A DETERMINATION OR ACKNOWLEDGMENT UNDER THIS SUBSECTION:

1. THE DOMICILE OF THE INSURERS WITHIN THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT HOLD THE LARGEST SHARE OF THE GROUP'S WRITTEN PREMIUMS, ASSETS OR LIABILITIES.

2. THE DOMICILE OF THE TOP-TIERED INSURERS IN THE INSURANCE HOLDING COMPANY SYSTEM OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP.

3. THE LOCATION OF THE EXECUTIVE OFFICES OR LARGEST OPERATIONAL OFFICES OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP.

4. WHETHER ANOTHER REGULATORY OFFICIAL IS ACTING OR IS SEEKING TO ACT AS THE GROUP-WIDE SUPERVISOR UNDER A REGULATORY SYSTEM THAT THE DIRECTOR DETERMINES TO BE EITHER:

(a) SUBSTANTIALLY SIMILAR TO THE SYSTEM OF REGULATION PROVIDED UNDER THE LAWS OF THIS STATE.

(b) OTHERWISE SUFFICIENT IN TERMS OF PROVIDING FOR GROUP-WIDE SUPERVISION, ENTERPRISE RISK ANALYSIS AND COOPERATION WITH OTHER REGULATORY OFFICIALS.

5. WHETHER ANOTHER REGULATORY OFFICIAL ACTING OR SEEKING TO ACT AS THE GROUP-WIDE SUPERVISOR PROVIDES THE DIRECTOR WITH REASONABLY RECIPROCAL RECOGNITION AND COOPERATION.

D. A CHIEF REGULATORY OFFICIAL IDENTIFIED UNDER THIS SECTION AS THE GROUP-WIDE SUPERVISOR MAY DETERMINE THAT IT IS APPROPRIATE TO ACKNOWLEDGE ANOTHER SUPERVISOR TO SERVE AS THE GROUP-WIDE SUPERVISOR. THE ACKNOWLEDGMENT OF THE GROUP-WIDE SUPERVISOR SHALL BE MADE AFTER CONSIDERATION OF THE FACTORS LISTED IN SUBSECTION C OF THIS SECTION, IN COOPERATION WITH AND SUBJECT TO THE ACKNOWLEDGMENT OF OTHER REGULATORY OFFICIALS INVOLVED WITH SUPERVISION OF MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP AND IN CONSULTATION WITH THE INTERNATIONALLY ACTIVE INSURANCE GROUP.

E. NOTWITHSTANDING ANY OTHER LAW, IF ANOTHER REGULATORY OFFICIAL IS ACTING AS THE GROUP-WIDE SUPERVISOR OF AN INTERNATIONALLY ACTIVE INSURANCE GROUP, THE DIRECTOR SHALL ACKNOWLEDGE THAT REGULATORY OFFICIAL AS THE GROUP-WIDE SUPERVISOR. IF A MATERIAL CHANGE IN THE INTERNATIONALLY ACTIVE INSURANCE GROUP RESULTS IN EITHER OF THE FOLLOWING, THE DIRECTOR SHALL MAKE A DETERMINATION OR ACKNOWLEDGMENT AS TO THE APPROPRIATE GROUP-WIDE SUPERVISOR FOR SUCH AN INTERNATIONALLY ACTIVE INSURANCE GROUP PURSUANT TO SUBSECTION C OF THIS SECTION:

1. THE INTERNATIONALLY ACTIVE INSURANCE GROUP'S INSURERS DOMICILED IN THIS STATE HOLDING THE LARGEST SHARE OF THE GROUP'S PREMIUMS, ASSETS OR LIABILITIES.

2. THIS STATE BEING THE DOMICILE OF THE TOP-TIERED INSURERS IN THE INSURANCE HOLDING COMPANY SYSTEM OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP.

F. PURSUANT TO SECTION 20-481.20, THE DIRECTOR MAY COLLECT FROM ANY INSURER REGISTERED PURSUANT TO SECTION 20-481.09 ALL INFORMATION NECESSARY TO DETERMINE WHETHER THE DIRECTOR MAY ACT AS THE GROUP-WIDE SUPERVISOR OF AN INTERNATIONALLY ACTIVE INSURANCE GROUP OR WHETHER THE DIRECTOR MAY ACKNOWLEDGE ANOTHER REGULATORY OFFICIAL TO ACT AS THE GROUP-WIDE SUPERVISOR. BEFORE ISSUING A DETERMINATION THAT AN INTERNATIONALLY ACTIVE INSURANCE GROUP IS SUBJECT TO GROUP-WIDE SUPERVISION BY THE DIRECTOR, THE DIRECTOR SHALL NOTIFY THE INSURER REGISTERED PURSUANT TO SECTION 20-481.09 AND THE ULTIMATE CONTROLLING PERSON WITHIN THE INTERNATIONALLY ACTIVE INSURANCE GROUP. THE INTERNATIONALLY ACTIVE INSURANCE GROUP HAS AT LEAST THIRTY DAYS TO PROVIDE THE DIRECTOR WITH ADDITIONAL INFORMATION PERTINENT TO THE PENDING DETERMINATION. THE DIRECTOR SHALL PUBLISH ON THE DEPARTMENT'S OFFICIAL WEBSITE THE IDENTITY OF INTERNATIONALLY ACTIVE INSURANCE GROUPS THAT THE DIRECTOR HAS DETERMINED ARE SUBJECT TO GROUP-WIDE SUPERVISION BY THE DIRECTOR.

G. IF THE DIRECTOR IS THE GROUP-WIDE SUPERVISOR FOR AN INTERNATIONALLY ACTIVE INSURANCE GROUP, THE DIRECTOR MAY ENGAGE IN ANY OF THE FOLLOWING GROUP-WIDE SUPERVISION ACTIVITIES:

1. ASSESSING THE ENTERPRISE RISKS WITHIN THE INTERNATIONALLY ACTIVE INSURANCE GROUP TO ENSURE THAT:

(a) THE MATERIAL FINANCIAL CONDITION AND LIQUIDITY RISKS TO THE MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT ARE ENGAGED IN THE BUSINESS OF INSURANCE ARE IDENTIFIED BY MANAGEMENT.

(b) REASONABLE AND EFFECTIVE MITIGATION MEASURES ARE IN PLACE.

2. REQUESTING FROM ANY MEMBER OF AN INTERNATIONALLY ACTIVE INSURANCE GROUP SUBJECT TO THE DIRECTOR'S SUPERVISION INFORMATION NECESSARY AND APPROPRIATE TO ASSESS ENTERPRISE RISK, INCLUDING INFORMATION ABOUT THE MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP REGARDING:

(a) GOVERNANCE, RISK ASSESSMENT AND MANAGEMENT.

(b) CAPITAL ADEQUACY.

(c) MATERIAL INTERCOMPANY TRANSACTIONS.

3. COORDINATING AND, THROUGH THE AUTHORITY OF THE REGULATORY OFFICIALS OF THE JURISDICTIONS WHERE MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP ARE DOMICILED, COMPELLING DEVELOPMENT AND IMPLEMENTATION OF REASONABLE MEASURES DESIGNED TO ENSURE THAT THE INTERNATIONALLY ACTIVE INSURANCE GROUP IS ABLE TO TIMELY RECOGNIZE AND MITIGATE ENTERPRISE RISKS TO MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT ARE ENGAGED IN THE BUSINESS OF INSURANCE.

4. COMMUNICATING WITH ANY OTHER STATE, FEDERAL AND INTERNATIONAL REGULATORY AGENCY FOR MEMBERS WITHIN THE INTERNATIONALLY ACTIVE INSURANCE GROUP AND SHARE RELEVANT INFORMATION SUBJECT TO THE CONFIDENTIALITY PROVISIONS OF SECTION 20-481.21, THROUGH SUPERVISORY COLLEGES AS SET FORTH IN SECTION 20-481.31 OR OTHERWISE.

5. ENTERING INTO AGREEMENTS WITH OR OBTAINING DOCUMENTATION FROM ANY INSURER REGISTERED UNDER SECTION 20-481.09, ANY MEMBER OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP AND ANY OTHER STATE, FEDERAL AND INTERNATIONAL REGULATORY AGENCY FOR MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT PROVIDE THE BASIS FOR OR THAT OTHERWISE CLARIFY THE DIRECTOR'S ROLE AS GROUP-WIDE SUPERVISOR, INCLUDING PROVISIONS FOR RESOLVING DISPUTES WITH OTHER REGULATORY OFFICIALS. THE AGREEMENTS OR DOCUMENTATION MAY NOT SERVE AS EVIDENCE IN ANY PROCEEDING THAT ANY INSURER OR PERSON WITHIN AN INSURANCE HOLDING COMPANY SYSTEM THAT IS NOT DOMICILED OR INCORPORATED IN THIS STATE IS DOING BUSINESS IN THIS STATE OR IS OTHERWISE SUBJECT TO JURISDICTION IN THIS STATE.

6. OTHER GROUP-WIDE SUPERVISION ACTIVITIES, CONSISTENT WITH THE AUTHORITIES AND PURPOSES ENUMERATED IN THIS SUBSECTION, AS CONSIDERED NECESSARY BY THE DIRECTOR.

H. IF THE DIRECTOR ACKNOWLEDGES THAT ANOTHER REGULATORY OFFICIAL FROM A JURISDICTION THAT IS NOT ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS IS THE GROUP-WIDE SUPERVISOR, THE DIRECTOR MAY REASONABLY COOPERATE, THROUGH SUPERVISORY COLLEGES OR OTHERWISE, WITH GROUP-WIDE SUPERVISION UNDERTAKEN BY THE GROUP-WIDE SUPERVISOR, IF BOTH:

1. THE DIRECTOR'S COOPERATION COMPLIES WITH THE LAWS OF THIS STATE.

2. THE REGULATORY OFFICIAL ACKNOWLEDGED AS THE GROUP-WIDE SUPERVISOR ALSO RECOGNIZES AND COOPERATES WITH THE DIRECTOR'S ACTIVITIES

AS A GROUP-WIDE SUPERVISOR FOR OTHER INTERNATIONALLY ACTIVE INSURANCE GROUPS WHERE APPLICABLE. IF SUCH RECOGNITION AND COOPERATION IS NOT REASONABLY RECIPROCAL, THE DIRECTOR MAY REFUSE RECOGNITION AND COOPERATION.

I. THE DIRECTOR MAY ENTER INTO AGREEMENTS WITH OR OBTAIN DOCUMENTATION FROM ANY INSURER REGISTERED UNDER SECTION 20-481.09, ANY AFFILIATE OF THE INSURER AND ANY OTHER STATE, FEDERAL AND INTERNATIONAL REGULATORY AGENCY FOR MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT PROVIDE THE BASIS FOR OR OTHERWISE CLARIFY A REGULATORY OFFICIAL'S ROLE AS GROUP-WIDE SUPERVISOR.

J. THE DIRECTOR MAY ADOPT RULES NECESSARY FOR THE ADMINISTRATION OF THIS SECTION.

APPROVED BY THE GOVERNOR MARCH 22, 2019.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 22, 2019.

Passed the House March 14, 2019,

by the following vote: 59 Ayes,

0 Nays, 1 Not Voting

Speaker of the House

Jim Drake

Chief Clerk of the House

Passed the Senate February 5, 2019,

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

Karen Fann

President of the Senate

Susan Acevedo

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

18th day of March, 2019,

at 1:50 o'clock P M.

Secretary to the Governor

Approved this 22nd day of

March, 2019,

at 2:37 o'clock P M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 22 day of March, 2019,

at 4:01 o'clock P. M.

Secretary of State

S.B. 1006