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From the Publisher

ABOUT THIS PUBLICATION

The authenticated pdf of the Administrative Register (A.A.R.) posted on the Arizona Secretary of State’s website is the official published version for rulemaking activity in the state of Arizona.

Rulemaking is defined in Arizona Revised Statutes known as the Arizona Administrative Procedure Act (APA), A.R.S. Title 41, Chapter 6, Articles 1 through 10.

The Register is cited by volume and page number. Volumes are published by calendar year with issues published weekly. Page numbering continues in each weekly issue.

In addition, the Register contains notices of rules terminated by the agency and rules that have expired.

ABOUT RULES

Rules can be: made (all new text); amended (rules on file, changing text); repealed (removing text); or renumbered (moving rules to a different Section number). Rulemaking activity published in the Register includes: proposed, final, emergency, expedited, and exempt rules as defined in the APA, and other state statutes.

New rules in this publication (whether proposed or made) are denoted with underlining; repealed text is stricken.

WHERE IS A “CLEAN” COPY OF THE FINAL OR EXEMPT RULE PUBLISHED IN THE REGISTER?

The Arizona Administrative Code (A.A.C) contains the codified text of rules. The A.A.C. contains rules promulgated and filed by state agencies that have been approved by the Attorney General or the Governor’s Regulatory Review Council. The Code also contains rules exempt from the rulemaking process.

The authenticated pdf of Code chapters posted on the Arizona Secretary of State’s website are the official published version of rules in the A.A.C. The Code is posted online for free.

LEGAL CITATIONS AND FILING NUMBERS

On the cover: Each agency is assigned a Chapter in the Arizona Administrative Code under a specific Title. Titles represent broad subject areas. The Title number is listed first; with the acronym A.A.C., which stands for the Arizona Administrative Code; following the Chapter number and Agency name, then program name. For example, the Secretary of State has rules on rulemaking in Title 1, Chapter 1 of the Arizona Administrative Code. The citation for this chapter is 1 A.A.C. 1, Secretary of State, Rules and Rulemaking

Every document filed in the office is assigned a file number. This number, enclosed in brackets, is located at the top right of the published documents in the Register. The original filed document is available for 10 cents a page.
Participate in the Process

Look for the Agency Notice
Review (inspect) notices published in the Arizona Administrative Register. Many agencies maintain stakeholder lists and would be glad to inform you when they proposed changes to rules. Check an agency’s website and its newsletters for news about notices and meetings.

Feel like a change should be made to a rule and an agency has not proposed changes? You can petition an agency to make, amend, or repeal a rule. The agency must respond to the petition. (See A.R.S. § 41-1033)

Attend a public hearing/meeting
Attend a public meeting that is being conducted by the agency on a Notice of Proposed Rulemaking. Public meetings may be listed in the Preamble of a Notice of Proposed Rulemaking or they may be published separately in the Register. Be prepared to speak, attend the meeting, and make an oral comment.

An agency may not have a public meeting scheduled on the Notice of Proposed Rulemaking. If not, you may request that the agency schedule a proceeding. This request must be put in writing within 30 days after the published Notice of Proposed Rulemaking.

Write the agency
Put your comments in writing to the agency. In order for the agency to consider your comments, the agency must receive them by the close of record. The comment must be received within the 30-day comment timeframe following the Register publication of the Notice of Proposed Rulemaking.

You can also submit to the Governor’s Regulatory Review Council written comments that are relevant to the Council’s power to review a given rule (A.R.S. § 41-1052). The Council reviews the rule at the end of the rulemaking process and before the rules are filed with the Secretary of State.

Arizona Regular Rulemaking Process

START HERE
APA, statute or ballot proposition is passed. It gives an agency authority to make rules. It may give an agency an exemption to the process or portions thereof.

Agency opens a docket.
Agency files a Notice of Rulemaking Docket Opening; it is published in the Register. Often an agency will file the docket with the proposed rulemaking.

Agency drafts proposed rule and Economic Impact Statement (EIS); informal public review/comment.

Agency files Notice of Proposed Rulemaking. Notice is published in the Register. Notice of meetings may be published in Register or included in Preamble of Proposed Rulemaking. Agency opens comment period.

Oral proceeding and close of record. Comment period must last at least 30 days after publication of notice. Oral proceeding (hearing) is held no sooner than 30 days after publication of notice of hearing

Substantial change?
If no change then

Rule must be submitted for review or terminated within 120 days after the close of the record.

A final rulemaking package is submitted to G.R.R.C. or A.G. for review. Contains final preamble, rules, and Economic Impact Statement.

G.R.R.C. has 90 days to review and approve or return the rule package, in whole or in part; A.G. has 60 days.

After approval by G.R.R.C. or A.G., the rule becomes effective 60 days after filing with the Secretary of State (unless otherwise indicated).

Final rule is published in the Register and the quarterly Code Supplement.
**Definitions**


*Arizona Administrative Register (A.A.R.)*: The official publication that includes filed documents pertaining to Arizona rulemaking. Available online at www.azsos.gov.

*Administrative Procedure Act (APA)*: A.R.S. Title 41, Chapter 6, Articles 1 through 10. Available online at www.azleg.gov.

*Arizona Revised Statutes (A.R.S.)*: The statutes are made by the Arizona State Legislature during a legislative session. They are compiled by Legislative Council, with the official publication codified by Thomson West. Citations to statutes include Titles which represent broad subject areas. The Title number is followed by the Section number. For example, A.R.S. § 41-1001 is the definitions Section of Title 41 of the Arizona Administrative Procedures Act. The “§” symbol simply means “section.” Available online at www.azleg.gov.

**Chapter**: A division in the codification of the Code designating a state agency or, for a large agency, a major program.

**Close of Record**: The close of the public record for a proposed rulemaking is the date an agency chooses as the last date it will accept public comments, either written or oral.


**Docket**: A public file for each rulemaking containing materials related to the proceedings of that rulemaking. The docket file is established and maintained by an agency from the time it begins to consider making a rule until the rulemaking is finished. The agency provides public notice of the docket by filing a Notice of Rulemaking Docket Opening with the Office for publication in the Register.

**Economic, Small Business, and Consumer Impact Statement (EIS)**: The EIS identifies the impact of the rule on private and public employment, on small businesses, and on consumers. It includes an analysis of the probable costs and benefits of the rule. An agency includes a brief summary of the EIS in its preamble. The EIS is not published in the Register but is available from the agency promulgating the rule. The EIS is also filed with the rulemaking package.

**Governor’s Regulatory Review (G.R.R.C.)*: Reviews and approves rules to ensure that they are necessary and to avoid unnecessary duplication and adverse impact on the public. G.R.R.C. also assesses whether the rules are clear, concise, understandable, legal, consistent with legislative intent, and whether the benefits of a rule outweigh the cost.

**Incorporated by Reference**: An agency may incorporate by reference standards or other publications. These standards are available from the state agency with references on where to order the standard or review it online.

**Federal Register (FR)**: The Federal Register is a legal newspaper published every business day by the National Archives and Records Administration (NARA). It contains federal agency regulations; proposed rules and notices; and executive orders, proclamations, and other presidential documents.

**Session Laws or “Laws”**: When an agency references a law that has not yet been codified into the Arizona Revised Statutes, use the word “Laws” is followed by the year the law was passed by the Legislature, followed by the Chapter number using the abbreviation “Ch.”, and the specific Section number using the Section symbol (§). For example, Laws 1995, Ch. 6, § 2. Session laws are available at www.azleg.gov.

**United States Code (U.S.C.)*: The Code is a consolidation and codification by subject matter of the general and permanent laws of the United States. The Code does not include regulations issued by executive branch agencies, decisions of the federal courts, treaties, or laws enacted by state or local governments.

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**Acronyms**

A.A.C. – Arizona Administrative Code

A.A.R. – Arizona Administrative Register

APA – Administrative Procedure Act

A.R.S. – Arizona Revised Statutes

CFR – Code of Federal Regulations

EIS – Economic, Small Business, and Consumer Impact Statement

FR – Federal Register

G.R.R.C. – Governor’s Regulatory Review Council


**About Preambles**

The Preamble is the part of a rulemaking package that contains information about the rulemaking and provides agency justification and regulatory intent.

It includes reference to the specific statutes authorizing the agency to make the rule, an explanation of the rule, reasons for proposing the rule, and the preliminary Economic Impact Statement.

The information in the Preamble differs between rulemaking notices used and the stage of the rulemaking.
NOTICES OF PROPOSED RULEMAKING

This section of the Arizona Administrative Register contains Notices of Proposed Rulemakings. A proposed rulemaking is filed by an agency upon completion and submittal of a Notice of Rulemaking Docket Opening. Often these two documents are filed at the same time and published in the same Register issue. When an agency files a Notice of Proposed Rulemaking under the Administrative Procedure Act (APA), the notice is published in the Register within three weeks of filing. See the publication schedule in the back of each issue of the Register for more information.

Under the APA, an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the Register before beginning any proceedings for making, amending, or repealing any rule (A.R.S. §§ 41-1013 and 41-1022).

The Office of the Secretary of State is the filing office and publisher of these rules. Questions about the interpretation of the proposed rules should be addressed to the agency that promulgated the rules. Refer to item #4 below to contact the person charged with the rulemaking and item #10 for the close of record and information related to public hearings and oral comments.

NOTICE OF PROPOSED RULEMAKING

TITLE 20. COMMERCE, FINANCIAL INSTITUTIONS, AND INSURANCE
CHAPTER 6. DEPARTMENT OF INSURANCE

[R21-91]

PREAMBLE

1. **Article, Part or Section Affected (as applicable)**
   - R20-6-212
   - R20-6-212.01
   - R20-6-212.02

   **Rulemaking Action**
   - Amend
   - Amend
   - New Section

2. **Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**
   - Authorizing statute: A.R.S. § 20-143
   - Implementing statute: A.R.S. §§ 20-1241.09 (R20-6-212.01), 20-1242.05 (R20-6-212), Laws 2019, Ch. 223, § 1 (R20-6-212.02)

3. **Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rule:**
   - Notice of Rulemaking Docket Opening: 26 A.A.R. 1634, August 14, 2020

4. **The agency's contact person who can answer questions about the rulemaking:**
   - Name: Mary E. Kosinski
   - Address: Department of Insurance and Financial Institutions
     100 N. 15th Ave., Suite 261
     Phoenix, AZ 85007-2630
   - Telephone: (602) 364-3476
   - Email: mary.kosinski@difi.az.gov
   - Website: https://difi.az.gov

5. **An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**
   - This rulemaking has a two-fold purpose related to the regulation of annuities: to update the addresses and materials being incorporated by reference in two existing rules and to fulfill the mandate of the legislature to adopt the Annuity Disclosure Model Regulation (MDL-245) promulgated by the National Association of Insurance Commissioners (“NAIC”) and effective as of the date of the act (Laws 2019, Ch. 223, § 1).
   - A.A.C. Title 20, Chapter 6, Article 2 governs the transaction of insurance, which includes Sections R20-6-212: Forms for Replacement of Life Insurance Policies and Annuities and R20-6-212.01: Form for Buyer’s Guide for Annuities. The addresses for both the Arizona Department of Financial Institutions, Division of Insurance (“Division”) and the NAIC have both changed since these rules were last amended in 2007. In addition, the materials incorporated by reference by these Sections have been updated or replaced with updated versions or other materials necessitating new incorporations by reference.
   - In 2019, the Legislature charged the Division with adopting the NAIC Annuity Disclosure Model Regulation and illustration requirements specific to participating immediate and deferred income annuities. SB1534 (L. 2019, Ch. 223, §1). Prior to the passage of SB1534, the Legislature had codified much of the Annuity Disclosure Model Regulation (“Model Regulation”) at A.R.S. Title 20, Chapter 6, Article 1.2: Annuity Disclosure (A.R.S. §§ 20-1242 through 20-1242.05). However, Section 6 and the Annuity Illustrations of the Model Regulation promulgated in 2015 remain uncodified. This rulemaking adopts these missing sections by rule in Section R20-6-212.02.
6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

   The Division did not review and does not propose to rely on any study relevant to this rulemaking.

7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

   The rulemaking addresses annuity disclosures which are of statewide interest to persons purchasing annuity products. The rulemaking does not diminish a previous grant of authority granted to the Division.

8. The preliminary summary of the economic, small business, and consumer impact:

   Pursuant to A.R.S. § 41-1055(A):
   - The rulemaking is not intended to change any conduct. Instead, it is designed to enhance the tools available to insurers and producers when selling annuities and to provide information to consumers who wish to purchase annuities.
   - The potential harm caused by an insured’s lack of information to make a knowledgeable purchase of an annuity is monetary. However, the onus is still upon insureds to educate themselves about the purchase of these complicated financial products.
   - Because this rulemaking is not made in response to a perceived problem, it is not intended to reduce the frequency of any potentially violative conduct.
   - The costs incurred by insurers selling annuity products are not expected to impact revenues or payroll expenditures. Instead, the costs incurred are compliance costs driven by the additional information an insurer or producer is required to provide to a person seeking to purchase an annuity.
   - The person listed in item 9 may be contacted to submit or request additional data on the information included in the economic, small business and consumer impact statement.

9. The agency’s contact person who can answer questions about the economic, small business and consumer impact statement:

   Name: Mary E. Kosinski
   Address: Department of Insurance and Financial Institutions
   100 N. 15th Ave., Suite 261
   Phoenix, AZ 85007-2630
   Telephone: (602) 364-3476
   Email: mary.kosinski@difi.az.gov

10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

   No proceeding is currently scheduled. Persons who wish to request an oral proceeding on this rulemaking should make a written request to the person listed in item 9. Requests must be received within 30 days of the publication of this Notice of Proposed Rulemaking, according to A.R.S. § 41-1023(C). If requested, the oral proceeding will be conducted at least 30 days after the receipt of any such request.

   In lieu of an oral proceeding, interested parties may submit public comments to: public_comments@difi.az.gov

   If no one requests an oral proceeding, the public comment period will close 30 days after the publication date of this Notice of Proposed Rulemaking. If anyone requests oral proceeding, the public comment period will close at 11:59 p.m. on the date of the oral proceeding.

11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:

   a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:
      The rule does not require a permit and does not use a general permit. Instead, the rule is designed to provide guidance to insurers, producers, and consumers on the purchase of annuities.

   b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:
      No federal law is applicable to the subject of the rule. Section R20-6-212.02(M) references Section 1053 of the Internal Revenue Code but only as a non-substantive change that would not trigger a revised illustration.

   c. Whether a person submitted an analysis to the agency that compares the rule’s impact of the competitiveness of business in this state to the impact on business in other states:
      No formal analysis has been submitted to the Division that compares the rule’s impact of the competitiveness of business in this state to the impact on business in other states.

12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:

   Section R20-6-212.01: NAIC Buyer’s Guide to Deferred Annuities – Fixed, 2013.

13. The full text of the rules follows:
Standards for Annuity Illustrations

For the purpose of meeting the requirements of A.R.S. § 20-1241.07(B)(2): Life Insurance and Annuities Replacement Model Regulations, an insurer shall use the following forms of the National Association of Insurance Commissioners Model Regulations (and no future editions or amendments), which are incorporated by reference and available at the Department of Insurance, and Financial Institutions, Division of Insurance, 2910 N. 15th Ave., Suite 261, Phoenix, AZ 85007-2630 and the National Association of Insurance Commissioners, Publications Department, 2301 McGee St., Suite 800, Kansas City, MO 64108; 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197:

1. For the purposes of meeting the requirements of A.R.S. § 20-1241.03(C): Life Insurance and Annuities Replacement Model Regulations, (MDL 613), Appendix A – Important Notice: Replacement of Life Insurance or Annuities, Volume III, pp. 613-11 through 613-12, July 2000, 2015, and no future editions.


Forms for Replacement of Life Insurance Policies and Annuities

An insurer shall use the following forms of the National Association of Insurance Commissioners Model Regulations (and no future editions or amendments), which are incorporated by reference and available at the Department of Insurance, and Financial Institutions, Division of Insurance, 2910 N. 15th Ave., Suite 261, Phoenix, AZ 85007-2630 and the National Association of Insurance Commissioners, Publications Department, 2301 McGee St., Suite 800, Kansas City, MO 64108; 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197:


Standards for Annuity Illustrations

A. Definitions. The definitions in A.R.S. § 20-1242 and this Section apply to this Section:

“Illustration” means a personalized presentation or depiction prepared for and provided to an individual consumer that includes non-guaranteed elements of an annuity contract over a period of years.

“Indexing Method” means point-to-point, dialing averaging or monthly averaging.

“Index Term” means the period over which indexed-based interest is calculated.

“Market Value Adjustment” or “MVA” means a feature that is a positive or negative adjustment that may be applied to the account value and/or cash value of the annuity upon withdrawal, surrender, contract annuitization or death benefit payment based on either the movement of an external index or on the company’s current guaranteed interest rate being offered on new premiums or new rates for renewal periods, if that withdrawal, surrender, contract annuitization or death benefit payment occurs at a time other than on a specified guaranteed benefit date.

“Registered product” means an annuity contract or life insurance policy subject to the prospectus delivery requirements of the Securities Act of 1933.

B. An insurer or producer may elect to provide a consumer an illustration at any time, provided that the illustration is in compliance with this Section and:

1. Is clearly labeled as an illustration;
2. Includes a statement referring customers to the disclosure document and buyer’s guide provided to them at time of purchase for additional information about their annuity; and
3. Is prepared by the insurer or third party using software that is authorized by the insurer prior to its use, provided that the insurer maintains a system of control over the use of the illustration.

C. An illustration furnished to an applicant for a group annuity contract or contracts issued to a single applicant on multiple lives may be either an individual or composite illustration representative of the coverage on the lives of members of the group or the multiple lives covered.

D. The illustration shall not be provided unless accompanied by the disclosure document referenced in A.R.S. § 20-1242.02.

E. When using an illustration, the illustration shall not:

1. Describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead:
2. State or imply that the payment or amount of non-guaranteed elements is guaranteed; or
3. Be incomplete.

F. Costs and fees of any type shall be individually noted and explained.

G. An illustration shall conform to the following requirements:
   1. The illustration shall be labeled with the date on which it is prepared;
   2. Each page, including any explanatory notes or pages, shall be numbered and show its relationship to the total number of pages in the disclosure document (e.g., the fourth page of a seven-page disclosure document shall be labelled “page 4 of 7 pages”);
   3. The assumed dates of premium receipt and benefit payout within a contract year shall be clearly identified;
   4. If the age of the proposed insured is shown as a component of the tabular detail, it shall be issue-age plus the number of years the contract is assumed to have been in force;
   5. The assumed premium on which the illustrated benefits and values are based shall be clearly identified, including rider premium for any benefits being illustrated;
   6. Any charges for riders or other contract features assessed against the account value or the crediting rate shall be recognized in the illustrated values and shall be accompanied by a statement indicating the nature of the rider benefits or the contract features, and whether or not they are included in the illustration;
   7. Guaranteed death benefits and values available upon surrender, if any, for the illustrated contract premium shall be shown and clearly labeled guaranteed;
   8. The non-guaranteed elements underlying the non-guaranteed illustrated values shall be no more favorable than current non-guaranteed elements and shall not include any assumed future improvement of such elements. Additionally, non-guaranteed elements used in calculating non-guaranteed illustrated values at any future duration shall reflect any planned changes, including any planned changes that may occur after expiration of an initial guaranteed or bonus period;

9. In determining the non-guaranteed illustrated values for a fixed indexed annuity, the index-based interest rate and account value shall be calculated for three different scenarios: one to reflect historical performance of the index for the most recent 10 calendar years; one to reflect the historical performance of the index for the continuous period of 10 calendar years out of the last 20 calendar years that would result in the least index value growth (the “low scenario”); one to reflect the historical performance of the index for the continuous period of 10 calendar years out of the last 20 calendar years that would result in the index value growth (the “high scenario”). The following requirements apply:
   a. The most recent 10 calendar years and the last 20 calendar years are defined to end on the prior December 31, except for illustrations prepared during the first three months of the year, for which the end date of the calendar year period may be the December 31 prior to the last full calendar year;
   b. If any index utilized in determination of an account value has not been in existence for at least 10 calendar years, indexed returns for that index shall not be illustrated. If the fixed indexed annuity provides an option to allocate account value to more than one indexed or fixed declared rate account, and one or more of these indexes has not been in existence for at least 10 calendar years, the allocation to such indexed account or accounts shall be assumed to be zero;
   c. If any index utilized in determination of an account value has been in existence for at least 10 calendar years but less than 20 calendar years, the 10 calendar year periods that define the low and high scenarios shall be chosen from the exact number of years the index has been in existence;
   d. The non-guaranteed element or elements, such as caps, spreads, participation rates or other interest crediting adjustments, used in calculating the non-guaranteed index-based interest rate shall be no more favorable than the corresponding current element or elements;
   e. If a fixed indexed annuity provides an option to allocate the account value to more than one indexed or fixed declared rate account:
      i. The allocation used in the illustration shall be used for all three scenarios; and
      ii. The 10 calendar year periods resulting in the least and greatest index growth periods shall be determined independently for each indexed account option;
   f. The geometric mean annual effective rate of the account value growth over the 10 calendar year period shall be shown for each scenario;
   g. If the most recent 10 calendar year historical period experience of the index is shorter than the number of years needed to fulfill the requirement of subsection (f), the most recent 10 calendar year historical experience of the index shall be used for each subsequent 10 calendar year period beyond the initial period for the purpose of calculating the account value for the remaining years of the illustration;
   h. The low and high scenarios:
      i. Need not show surrender values (if different than account values);
      ii. Shall not extend beyond 10 calendar years (and therefore are not subject to the requirements of subsection (f) beyond subsection (f)(1)(a)); and
      iii. May be shown on a separate page;
   i. For the low and high scenarios, a graphical presentation shall also be included comparing the movement of the account value over the 10 calendar year period for the low scenario, the high scenario and the most recent 10 calendar year scenario; and
   j. The low and high scenarios should reflect the irregular nature of the index performance and should trigger every type of adjustment to the index-based interest rate under the contract. The effect of the adjustments should be clear; for example,
additional columns showing how the adjustment applied may be included. If an adjustment to the index-based interest rate is not triggered in the illustration (because no historical values of the index in the required illustration range would have triggered it), the illustration shall so state:

10. The guaranteed elements, if any, shall be shown before corresponding non-guaranteed elements and shall be specifically referred to on any page of an illustration that shows or describes only the non-guaranteed elements (e.g., “see page 1 for guaranteed elements”);

11. The account or accumulation value of a contract, if shown, shall be identified by the name this value is given in the contract being illustrated and shown in close proximity to the corresponding value available upon surrender;

12. The value available upon surrender shall be identified by the name this value is given in the contract being illustrated and shall be the amount available to the contract owner in a lump sum after deduction of surrender charges, bonus forfeitures, contract loans, contract loan interest and application of any market value adjustment, as applicable;

13. Illustrations may show contract benefits and values in graphic or chart form in addition to the tabular form;

14. Any illustration of non-guaranteed elements shall be accompanied by a statement indicating that:
   a. The benefits and values are not guaranteed;
   b. The assumptions on which they are based are subject to change by the insurer; and
   c. Actual results may be higher or lower.

15. Illustrations based on non-guaranteed credited interest and non-guaranteed annuity income rates shall contain equally prominent comparisons to guaranteed credited interest and guaranteed annuity income rates, including any guaranteed and non-guaranteed participation rates, caps or spreads for fixed indexed annuities;

16. The annuity income rate illustrated shall not be greater than the current annuity income rate unless the contract guarantees are in fact more favorable;

17. Illustrations shall be concise and easy to read;

18. Key terms shall be defined and then used consistently throughout the illustration;

19. Illustrations shall not depict values beyond the maximum annuitization age or date;

20. Annuity benefits shall be based on contract values that reflect surrender charges or any other adjustments, if applicable; and

21. Illustrations shall show both annuity income rates per $1,000.00 and the dollar amounts of the periodic income payable.

H. Annuity illustration shall include a narrative summary that includes all the following unless provided at the same time in a disclosure statement:

1. A brief description of any contract features, riders or options, guaranteed and/or non-guaranteed, shown in the basic illustration and the impact they may have on the benefits and values of the contract;

2. A brief description of any other optional benefits or features that are selected, but not shown in the illustration and the impact they have on the benefits and values of the contract;

3. Identification and a brief definition of column headings and key terms used in the illustration;

4. A statement containing in substance the following:
   a. For other than fixed indexed annuities: This illustration assumes the annuity’s current non-guaranteed elements will not change. It is likely that they will change and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees. The values in this illustration are not guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer’s Guide provided with your Annuity Contract for more detailed information;
   b. For fixed indexed annuities: This illustration assumes the index will repeat historical performance and that the annuity’s current non-guaranteed elements, such as caps, spreads, participation rates or other interest crediting adjustments, will not change. It is likely that the index will not repeat historical performance, the non-guaranteed elements will change, and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees. The values in this illustration are not guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer’s Guide provided with your Annuity Contract for more detailed information.

5. Additional explanations as follows:
   a. Minimum guarantees shall be clearly explained;
   b. The effect on contract values of contract surrender prior to maturity shall be explained;
   c. Any conditions on the payment of bonuses shall be explained;
   d. For annuities sold as an IRA, qualified plan or in another arrangement subject to the required minimum distribution (RMD) requirements of the Internal Revenue Code, the effect of RMDs on the contract values shall be explained;
   e. For annuities with recurring surrender charge schedules, a clear and concise explanation of what circumstances will cause the surrender charge to recur; and
   f. A brief description of the types of annuity income options available shall be explained, including:
      i. The earliest or only maturity date for annuitization (as the term is defined in the contract);
      ii. For contracts with an optional maturity date, the periodic income amount for at least one of the annuity income options available based on the guaranteed rates in the contract, at the later of age 70 or 10 years after issue, but in no case later than the maximum annuitization age or date in the contract;
iii. For contracts with a fixed maturity date, the periodic income amount for at least one of the annuity income options available, based on the guaranteed rates in the contract at the fixed maturity date; and

iv. The periodic income amount based on the currently available periodic income rates for the annuity income option in subsection (H)(5)(f)(ii) or in subsection (H)(5)(f)(iii), if desired.

I. Following the narrative summary, an illustration shall include a numeric summary which shall include at minimum, numeric values at the following durations:
   1. The first 10 contract years or the surrender charge period if longer than 10 years, including any renewal surrender charge period or periods;
   2. Every 10th contract year up to the later of 30 years or age 70; and
   3. Required annuitization age or required annuitization date.

J. If the annuity contains a market value adjustment ("MVA"), the following provisions apply to the illustration:
   1. The MVA shall be referred to as such throughout the illustration;
   2. The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the value available upon surrender;
   3. The narrative shall include an explanation, in simple terms, of the potential effect of the MVA on the death benefit;
   4. A statement, containing in substance the following, shall be included: When you make a withdrawal, the amount you receive may be increased or decreased by a Market Value Adjustment (MVA). If the interest rates on which the MVA is based go up after you buy your annuity, the MVA likely will decrease the amount you receive. If interest rates go down, the MVA will likely increase the amount you receive.
   5. Illustrations shall describe both the upside and the downside aspects of the contract features relating to the MVA;
   6. The illustrative effect of the MVA shall be shown under at least one positive and one negative scenario. This demonstration shall appear on a separate page and be clearly labeled that it is information demonstrating the potential impact of a MVA;
   7. Actual MVA floors and ceilings as listed in the contract shall be illustrated; and
   8. If the MVA has significant characteristics not addressed by subsections (J)(1) through (J)(6), the effect of such characteristics shall be shown in the illustration.

K. A narrative summary for a fixed indexed annuity illustration also shall include the following unless provided at the same time as the disclosure statement:
   1. An explanation, in simple terms, of the elements used to determine the index-based interest, including but not limited to, the following elements:
      a. The index or indexes which will be used to determine the index-based interest;
      b. The Indexing Method;
      c. The Index Term;
      d. The participation rate, if applicable;
      e. The cap, if applicable; and
      f. The spread, if applicable;
   2. The narrative shall include an explanation, in simple terms, of how index-based interest is credited in the indexed annuity;
   3. The narrative shall include a brief description of the frequency with which the company can re-set the elements used to determine the index-based credits, including the participation rate, the cap, and the spread, if applicable; and
   4. If the product allows the contract holder to make allocations to a declared-rate segment, then the narrative shall include a brief description of:
      a. Any options to make allocations to a declared-rate segment, both for new premiums and for transfers from the index-based segments; and
      b. Differences in guarantees applicable to the declared-rate segment and the index-based segments.

L. A numeric summary for a fixed indexed annuity illustration shall include, at a minimum, the following elements:
   1. The assumed growth rate of the index in accordance with subsection (G)(9);
   2. The assumed values for the participation rate, cap and spread, if applicable; and
   3. The assumed allocation between index-based segments and the declared-rate segment, if applicable, in accordance with subsection (G)(9).

M. If the contract is issued other than as applied for, a revised illustration conforming to the contract as issued shall be sent with the contract, except that non-substantive changes, including but not limited to, changes in the amount of expected initial or additional premiums and any changes in amounts of exchanges pursuant to Section 1053 of the Internal Revenue Code, rollovers and transfers, which do not alter the key benefits and features of the annuity as applied for will not require a revised illustration unless requested by the applicant.

N. Annuity Illustration Examples. The following illustrations are examples only and do not reflect specific characteristics of any actual product for sale by any company.
Notices of Proposed Rulemaking

ABC Life Insurance Company

Company Product Name
Flexible Premium Fixed Deferred Annuity with a Market Value Adjustment (MVA)

An Illustration Prepared for John Doe by John Agent on mm/dd/yyyy
(Contact us at Policyownerservice@ABCLife.com or 555-555-5555)

Sex: Male
Initial Premium Payment: $100,000.00
Age at Issue: 54
Planned Annual Premium Payments: None
Annuity: John Doe
Tax Status: Nonqualified
Oldest Age at Which Annuity Payments Can Begin: 95
Withdrawals: None Illustrated

Initial Interest Guarantee Period
5 Years

Initial Guaranteed Interest Crediting Rates
First Year (reflects first year only interest bonus credit of 0.75%): 4.15%
Remainder of Initial Interest Guarantee Period: 3.40%

Market Value Adjustment Period:
5 Years
Minimum Guaranteed Interest Rate after Initial Interest Guarantee Period*: 3%

* After the Initial Interest Guarantee Period, a new interest rate will be declared annually. This rate cannot be lower than the Minimum Guaranteed Interest Rate.

Annuity Income Options and Illustrated Monthly Income Values
This annuity is designed to pay an income that is guaranteed to last as long as the Annuitant lives. When annuity income payments are to begin, the income payment amounts will be determined by applying an annuity income rate to the annuity Account Value.

Annuity income options include the following:
• Periodic payments for Annuitant’s life
• Periodic payments for Annuitant’s life with payments guaranteed for a certain number of years
• Periodic payments for Annuitant’s life with payments continuing for the life of a survivor annuitant

Illustrated Annuity Income Option: Monthly payments for annuitant’s life with payments guaranteed for 10-year period.

Assumed Age When Payments Start: 70

<table>
<thead>
<tr>
<th>Assumed Age When Payments Start: 70</th>
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<tbody>
<tr>
<td>Monthly Annuity Income Rate</td>
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<tr>
<td>Monthly Annuity Income</td>
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<tr>
<td>Based on Rates Guaranteed in the Contract</td>
</tr>
<tr>
<td>Based on Rates Currently Offered by the Company</td>
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</table>

*If, at the time of annuitization, the annuity income rates currently offered by the company are higher than the annuity income rates guaranteed in the contract, the current rates will apply.

ABC Life Insurance Company

Company Product Name
Flexible Premium Fixed Deferred Annuity with a Market Value Adjustment (MVA)

An Illustration Prepared for John Doe by John Agent on mm/dd/yyyy
(Contact us at Policyownerservice@ABCLife.com or 555-555-5555)

<table>
<thead>
<tr>
<th>Contract Year/Age</th>
<th>Premium Payment</th>
<th>Interest Crediting Rate</th>
<th>Account Value</th>
<th>Cash Surrender Value Before MVA</th>
<th>Minimum Cash Surrender Value After MVA</th>
<th>Interest Crediting Rate</th>
<th>Account Value</th>
<th>Cash Surrender Value Before and After MVA</th>
</tr>
</thead>
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<tr>
<th>Values Based on Guaranteed Rates</th>
<th>Value Based on Assumption that Initial Guaranteed Rates Continue</th>
</tr>
</thead>
</table>

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Notices of Proposed Rulemaking

Column Descriptions

(1) **Ages** shown are measured from the Annuitant’s age at issue.

(2) **Premium Payments** are assumed to be made at the beginning of the Contract Year shown.

Values Based on Guaranteed Rates

(3) **Interest Crediting Rates** shown are annual rates; however, interest is credited daily. During the Initial Interest Guarantee Period, values developed from the Initial Premium Payment are illustrated using the Initial Guaranteed Interest Rate(s) declared by the insurance company, which include an additional first year only interest bonus credit of 0.75%. The interest rates will be guaranteed for the Initial Interest Guarantee Period, subject to an MVA. After the Initial Interest Guarantee Period, a new renewal interest rate will be declared annually, but can never be less than the Minimum Guaranteed Interest Rate shown.

(4) **Account Value** is the amount you have at the end of each year if you leave your money in the contract until you start receiving annuity payments. It is also the amount available upon the Annuitant’s death if it occurs before annuity payments begin. The death benefit is not affected by surrender charges or the MVA.

(5) **Cash Surrender Value Before MVA** is the amount available at the end of each year if you surrender the contract (after deduction of any Surrender Charge) but before the application of any MVA. Surrender charges are applied to the Account Value according to the schedule below until the surrender charge period ends, which may be after the Initial Interest Guarantee Period has ended.

<table>
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<tr>
<th>Years Measured from Premium Payment:</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surrender Charges:</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>0%</td>
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</tbody>
</table>

(6) **Minimum Cash Surrender Value After MVA** is the minimum amount available at the end of each year if you surrender your contract before the end of five years, no matter what the MVA is. The minimum is set by law. The amount you receive may be higher or lower than the cash surrender value due to the application of the MVA, but never lower than this minimum. Otherwise the MVA works as follows: If the interest rate available on new contracts offered by the company is LOWER than your Initial Guaranteed Interest Rate, the MVA will INCREASE the amount you receive. If the interest rate available on new contracts offered by the company is HIGHER than your initial guaranteed interest rate, the MVA will DECREASE the amount you receive. The charts below provide additional information concerning the MVA.

Values Based on Assumption that Initial Guaranteed Rates Continue

(7) **Interest Crediting Rates** are the same as in Column (3) for the Initial Interest Guarantee Period. After the Initial Interest Guarantee Period, a new renewal interest rate will be declared annually. For the purposes of calculating the values in this column, it is assumed that...

<table>
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<th>Column Descriptions</th>
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<tr>
<td>16 / 90</td>
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<td>17 / 95</td>
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</tbody>
</table>
the Initial Guaranteed Interest Rate (without the bonus) will continue as the new renewal interest rate in all years. The actual renewal interest rates are not subject to an MVA and will very likely NOT be the same as the illustrated renewal interest rates.

(8) **Account Value** is calculated the same way as column (4).

(9) **Cash Surrender Value Before and after MVA** is the Cash Surrender Value at the end of each year assuming that Initial Guaranteed Interest Rates continue, and that the continuing rates are the rates offered by the company on new contracts. In this case the MVA would be zero, and Cash Surrender Values before and after the MVA would be the same.

**Important Note:** This illustration assumes you will take no withdrawals from your annuity before you begin to receive periodic income payments. **Withdrawals will reduce both the annuity Account Value and the Cash Surrender Value.** You may make partial withdrawals of up to 10% of your account value each contract year without paying surrender charges. Excess withdrawals (above 10%) and full withdrawals will be subject to surrender charges.

**This illustration assumes the annuity’s current interest crediting rates will not change.** It is likely that they will change and actual values may be higher or lower than those in the illustrations.

The values in this illustration are not guaranteed or even estimates of the amounts you can expect from your annuity. For more information, read the annuity disclosure and annuity buyer’s guide.

**MVA-adjusted Cash Surrender Values (CSVs) Under Sample Scenarios**

The graphs below show MVA-adjusted Cash Surrender Values (CSVs) during the first five years of the contract, as illustrated on the illustration spreadsheet above ($100,000 single premium, a 5-year MVA Period) under two sample scenarios, as described below.

**Graph #1** shows if the interest rate on new contracts is 3% LOWER than your Initial Guaranteed Interest Rate, the MVA will increase the amount you receive (upper line). The lower line shows the Cash Surrender Values if the Initial Guaranteed Interest Rates continue (from Column (9) on the illustration spreadsheet above (referenced as Page 2 in the graph)).

**Graph #2** shows if the interest rate on new contracts is 3% HIGHER than your Initial Guaranteed Interest Rate, the MVA will decrease the amount you receive, but not below the minimum set by law (Column (6) on the illustration spreadsheet above (referenced as Page 2 in the graph)), which in this scenario’s limits the decrease for the first 2 years (lower line). The upper line shows the Cash Surrender Values if the Initial Guaranteed Interest Rates continue (from Column (9) on the illustration spreadsheet above).
These graphs and the sample guaranteed interest rates on new contracts used are for demonstration purposes only and are not intended to be a projection of how guaranteed interest rates on new contracts are likely to behave.

NOTICE OF PROPOSED RULEMAKING
TITLE 20. COMMERCE, FINANCIAL INSTITUTIONS, AND INSURANCE
CHAPTER 6. DEPARTMENT OF INSURANCE

PREAMBLE

1. **Article, Part or Section Affected (as applicable)**
   - R20-6-407

2. **Rulemaking Action**
   - Amend

3. **Citations to the agency’s statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**
   - Authorizing statute: A.R.S. § 20-143
   - Implementing statute: A.R.S. § 20-1095.01(C)

4. **Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rule:**
   - Notice of Rulemaking Docket Opening: 27 A.A.R. 1147, July 30, 2021 (in this issue)

5. **The agency’s contact person who can answer questions about the rulemaking:**
   - Name: Mary E. Kosinski
   - Address: Department of Insurance and Financial Institutions
   - 100 N. 15th Ave., Suite 261
   - Phoenix, AZ 85007-2630
   - Telephone: (602) 364-3476
   - Email: mary.kosinski@difi.az.gov
   - Website: https://difi.az.gov

6. **An agency’s justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**
   - In 2018, the Legislature enacted sweeping changes to the Service Company statutes found at Arizona Revised Statutes (“ARS”) §§ 20-1095 through 20-1095.10 (“Service Company Act”) (Laws 2018, 2nd Reg. Sess., Ch. 150, § 1). Further changes have been enacted since that time (Laws 2021, Ch. 5, §§ 16 - 18 and Laws 2021, Ch. 163, § 1). The Division has already expired Section R20-6-408 to reflect the elimination of motor vehicle service contract programs. R20-6-407 requires changes to capture the current statutory requirements enacted in the Service Company Act.

7. **A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**
   - The Division did not review and does not propose to rely on any study relevant to this rulemaking.
7. **A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:**

   The rulemaking does not diminish a previous grant of authority granted to the Division.

8. **The preliminary summary of the economic, small business, and consumer impact:**

   Pursuant to A.R.S. § 41-1055(A)(1):
   - The rulemaking is not designed to change any conduct of service companies not already required by statute. Instead, the rule clarifies statutory terms that are vague, itemizes what an applicant must submit when applying for a permit or a renewal of a permit while allowing for the late-renewal of a permit, defines the term of a permit, provides guidance on meeting the financial responsibility requirements of A.R.S. § 20-1095.04, and notifies service companies of the provisions the Division will be reviewing in policy form filings.
   - The purpose of notifying service companies about policy forms is to promote more understandable forms which should allow consumers to make more informed decisions when entering into service contracts. Having informed consumers should reduce the complaints received by the Division about service company contracts and the time and attention that service companies must expend when responding to these complaints.

   Pursuant to A.R.S. § 41-1055(A)(2):
   - The costs incurred by service companies are not expected to impact revenues or payroll expenditures. Instead, the costs incurred are compliance costs incurred during the permitting process and forms approval process. Having more understandable policy forms should reduce costs to service companies incurred when responding to complaints filed with the Division.
   - Industry groups have not articulated any costs as of this juncture. The Division believes that it has selected an alternative that imposes the least burden and costs to persons regulated by the rule. However, industry groups are invited to provide the Division with any incurred cost information that may be helpful to the Division when formulating its Economic Impact Statement.

   Pursuant to A.R.S. § 41-1055(A)(3):
   - The employee listed in Item 9 may be contacted to submit or request additional data on the information included in the economic, small business and consumer impact statement.

9. **The agency's contact person who can answer questions about the economic, small business and consumer impact statement:**

   Name: Mary E. Kosinski
   Address: Department of Insurance and Financial Institutions
   100 N. 15th Ave., Suite 261
   Phoenix, AZ 85007-2630
   Telephone: (602) 364-3476
   Email: mary.kosinski@dfifi.az.gov

10. **The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

    No hearing is currently scheduled. Persons who wish to request an oral proceeding on this rulemaking must submit a written request to the person listed in item 9. Requests must be received within 30 days of the publication of this Notice of Proposed Rulemaking. A.R.S. § 41-1023(C). If requested, the oral proceeding will be conducted at least 30 days after the receipt of any such request. The Division will publish a Notice of Oral Proceeding in the Administrative Register, notifying parties of the date and time of the proceeding. All oral proceedings are currently being conducted virtually.

    In lieu of an oral proceeding, interested parties may submit public comments to: public_comments@dfifi.az.gov

    If no requests an oral proceeding, the public comment period will close at 11:59 p.m. on the 30th day after the publication date of this Notice of Proposed Rulemaking. If anyone requests an oral proceeding, the public comment period will close at 11:59 p.m. on the date of the oral proceeding.

11. **All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:**

    No other matters prescribed by statute are applicable to the Division or to any specific rule or class of rules.

    a. **Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:**

       A.R.S. § 20-1095.01 requires a service company to obtain a permit from the Division before it can issue service contracts. The rule does not require a permit. Instead, the rule notifies applicants about applying for the permit, the term of the permit, how to comply with the financial requirements for obtaining a permit, and how to renew the permit.

    b. **Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:**

       No federal law is applicable to the subject of the rule.

    c. **Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:**

       No formal analysis has been submitted to the Division that compares the rule’s impact of the competitiveness of business in this state to the impact of business in other states.
12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:
   The rule does not incorporate any materials by reference.

13. The full text of the rule follows:

   TITLE 20. COMMERCE, FINANCIAL INSTITUTIONS, AND INSURANCE
   CHAPTER 6. DEPARTMENT OF INSURANCE

   ARTICLE 4. TYPES OF INSURANCE COMPANIES

   Section
   R20-6-407. Service Companies

   ARTICLE 4. TYPES OF INSURANCE COMPANIES

   R20-6-407. Service Companies
   A. Scope. This rule shall apply to all service companies except those which are exempt under A.R.S. § 20-1095.02.
   B. Definitions. The definitions in A.R.S. § 20-1095 apply to this rule.
   1. “Gray Market” auto means an imported motor vehicle which has not been certified for all safety, emission, and other federal and state standards prior to the arrival of the vehicle into the United States.
   2. “Contract Holder” has the same meaning as “consumer” as defined in A.R.S. § 20-1095(1).
   3. “Service” within the meaning of Article 11, Chapter 4, Title 20 includes reimbursement for towing, car rental, lodging or travel breakdown expenses.
   5. “Provider” means a person who is contractually obligated to the service contract holder under the terms of a service contract “Provider” is synonymous with “service company” and “obligor” as defined in A.R.S. § 20-1095(6).
   6. “Reasonable time” or “Reasonable period of time”:
      a. As used in A.R.S. § 20-1095.06(C)(2), means at the time of purchase or mailed or electronically delivered but not more than two business days after the purchase date of the contract. If a service company mails the contract, it can establish proof of mailing by USPS certified mail or first class mail using intelligent barcode or another similar tracking method used or approved by the USPS. If a service company electronically delivers the contract it must be delivered consistent with the requirements of Title 44, Chapter 26.
      b. As used in A.R.S. § 20-1095.09(A)(4), is what an ordinary person would consider “reasonable” under the totality of the circumstances.
   7. “Insolvent” as used in A.R.S. § 20-1095.08(3) means total liabilities are equal to or exceed total assets.
   8. “Solvent” as used in A.R.S. § 20-1095.03(A)(1) means total assets exceed total liabilities.
   C. Application for a service company permit.
   1. Application form. The application for a service company permit under this rule shall be on the a form designated by the Director which shall contain the following information:
      a. The name of applicant;
      b. Arizona address of applicant;
      c. The home office address of applicant;
      d. Type of entity (e.g. corporation, partnership);
      e. Type of equipment to be serviced;
      f. Fiscal year of applicant;
      g. A list of suspensions, revocations or other disciplinary or rehabilitative actions against the service company in this or any other jurisdiction. The application form shall be signed under oath and acknowledged by the chief executive officer, chairman of the board of directors, or other person having power of attorney, in which case the power of attorney shall be attached.
   2. The following items shall be attached to the application form and shall complete the application:
      a. A copy of the service company’s most recent financial statement, sworn to and certified by the owner, duly elected officers, or a certified public accountant.
      b. Evidence of having deposited cash or acceptable securities pursuant to A.R.S. § 20-1095.04.
      c. Surety bond in lieu of deposit under subparagraph (b) on a form acceptable to the Director.
      d. Initial nonrefundable permit fee of $100 with each new application.
e. A biographical affidavit, on a form approved by the director, for each officer, director, manager or person owning 25% or more of the service company, and for each officer, director, manager or person owning 25% or more of an entity which owns the service company.

f. A copy of the service company’s service contract, application, claim forms, brochures, and other forms used in connection with the sale.

Application. The application shall contain the following information:

a. Applicant’s full legal name;

b. Applicant’s federal employer identification number (EIN);

c. Applicant’s trade name or names, if applicable;

d. Applicant’s state of domicile;

e. Applicant’s form of business entity (corporation, limited liability company, etc.);

f. Applicant’s addresses, phone numbers, email address or addresses and website address or addresses;

g. Name, address, and phone number or email address for each contact person of the applicant;

h. A list of the applicant’s officers, directors, managers, and persons owning 25% or more of the service company, and for each officer, director, manager, or person owning 25% or more of an entity that owns the service company;

i. If the applicant intends to use a service contract administrator, the name and contact information for the applicant’s service contract administrator;

j. The types of items the applicant intends to cover under its service contracts;

k. The applicant’s fiscal year end date;

l. A summary of the applicant’s financial position;

m. The name and signature of an officer of the applicant; and

n. Any other information the Division deems necessary.

3. Application attachments. The applicant shall include the following as part of the application:

a. A copy of the service company’s most recent financial statement, including an income statement and a balance sheet, verified by a certified public accountant;

b. Evidence of compliance with the financial security requirements of A.R.S. § 20-1095.03(A)(3);

c. A biographical affidavit, on a form approved by the Division, for each officer, director, manager, or person owning 25% or more of the service company, and for each officer, director, manager, or person owning 25% or more of an entity that owns the service company.

d. A list of subcontractors who are under common ownership or control or are affiliated with the applicant. If required by the type of work being performed, all subcontractors must be licensed.

e. A list of any actions taken against the applicant and a list of actions taken against any of the owners, officers, managers, or directors of the applicant in any jurisdiction by a regulatory agency or state attorney general.

4. Application fee. At the time of filing the application, the applicant shall pay the nonrefundable application fee prescribed by A.R.S. § 20-167 and fixed by the Division.

D. Deposit. A service company providing a deposit of cash or alternatives to cash pursuant to A.R.S. § 20-1095.04 shall maintain the deposit in the amount required and such deposit shall not be encumbered. The deposit shall not be released except pursuant to one of the following:

1. The service company provides a bond or mechanical reimbursement policy which covers the outstanding service contract liabilities.

2. All outstanding service contracts and liabilities thereunder have been assumed by a service company, in good standing, with the approval of the director, acknowledged by the assuming service company’s administrator and acknowledged by endorsement by the mechanical reimbursement insurer or surety.

3. Evidence satisfactory to the director that:

a. All outstanding service contracts and liabilities have expired or been cancelled in accordance with the service contract terms;

b. That all claims have been settled;

c. That there is no reason to believe there are any unreported claims, and

d. That the service company is financially able and agrees to be financially responsible for any valid unreported claims.

Term of the service company permit.

1. Term of permit. A service company permit shall have a term that begins on the date that the Division either grants or renews a service company permit and expires at midnight on the last day of the month, three months after the service company’s fiscal year-end date.

2. The Division is not required to issue a paper copy of the service company permit.

3. Expiration of a service company permit.

a. Unless the Division receives an application and full payment of fees for renewal prior to the end of the service company permit term, the service company permit expires.

b. A service company whose permit term has expired shall not offer, extend, or renew a service contract.
A service company whose permit has expired shall continue to fulfill the obligations of its in-force contracts and shall maintain the security required under A.R.S. § 20-1095.03(3) until such time that all of the service company’s contractual obligations to contract holders are fulfilled.

The service contract, approval of forms.

1. Each service company holding a service company permit or applying for such permit shall submit all contract, claim and application forms, brochures, and other advertising material to the Director for approval not less than 30 days prior to the proposed effective date thereof. No form, brochure or other printed material may be used until approved by the Director or has been on file with the Director more than 30 days.

2. No service contract shall be approved unless it contains a provision permitting the cancellation of the contract. The cancellation provision shall provide for a pro rata refund after deducting for administrative expenses associated with the cancellation. No claim incurred or paid shall be deducted from the amount to be returned. The cancellation provision shall not contain both cancellation penalty and a cancellation fee.

3. No service contract or application shall be approved unless it:
   a. Is written in non-technical, readily understood language, using words with common everyday meanings;
   b. Provides for the performance of services within a reasonable period of time of the request for such services by the holder of the contract;
   c. Discloses on the face of the application and the contract:
      i. The name, address and telephone number of the service company;
      ii. The name, address and telephone number of the service contract administrator, if any;
      iii. The name of the individual who sold the service contract;
   d. Clearly, conspicuously and plainly states:
      i. The services to be performed by the service company and the terms and conditions of such performance;
      ii. The service fee or deductible charge, if any, to be charged, or applied, for service calls and/or each covered repair;
      iii. Each of the systems, products, appliances and components covered by the contract;
      iv. The period during which the contract will remain in effect;
      v. All limitations respecting the performance of services, including any restrictions as to time periods when services may be required or will be performed;
      vi. The cost of the service contract;
   e. Those specific items or components which are excluded from coverage in large bold type;
   f. The conditions, if any, under which the service contract or coverage may be reinstated after coverage has been voided by acts or omissions by the service contract holder;
   g. The material acts or omissions by the contract holder which cancel or void coverage;

4. No service contract shall be approved if:
   a. The coverage may be cancelled or voided due to acts or omissions of the service company, its assignees or subcontractors for their failure to provide correct information of their failure to perform the services or repairs provided in a timely, competent, workmanlike manner;
   b. Parts or components repaired or replaced under the service contract are excluded;
   c. The contract can be cancelled or voided by the service company or its representatives for the following reasons including but not limited to:
      i. Pre-existing conditions;
      ii. Prior use or unlawful acts relating to the product;
      iii. Misrepresentation by either the service company or its subcontractors;
      iv. Ineligibility for the program, including gray market, high performance and GM diesel autos.

Service company permit renewal and late-renewal.

1. Timely renewal. A service company seeking to renew its permit shall file with the Division a renewal application, consisting of the renewal application form, all required attachments and the renewal fee after the end of its fiscal year but before the expiration of its permit term. A service company shall transmit the renewal application through an electronic online system if such a system is designated on the Department’s website. A renewal application must be complete, have all required attachments and the renewal fee to be considered as having been received by the Division.

2. Renewal form. A service company shall use the renewal form designated by the Division. The renewal shall contain the following information:
   a. Service company name appearing on the permit, and the service company’s Arizona license number and EIN;
   b. Any additions or deletions to the service company’s trade name or names, addresses, phone numbers and website addresses;
   c. Any changes to the service company’s contact person or persons or service contract administrator, or their contact information;
   d. Any changes to the types of items the service company intends to cover under its service contracts; and
   e. Any other information the Division deems necessary.

3. Renewal attachments. The service company shall attach the following to the renewal:
   a. A copy of the service company’s financial statement as of the end of the service company’s most recently completed fiscal year, including an income statement and a balance sheet, verified by a certified public accountant.
   b. Evidence of continuing compliance with the financial security requirements of A.R.S. § 20-1095.03(A)(3).
   c. Any additions or deletions to the officers, directors, managers, or persons owning 25% or more of the service company, or to an entity that owns the service company since the last report to the Division.
A biographical affidavit, on a form approved by the Division, for each new person identified in subsection (3)(c).

Any additions or deletions to the subcontractors that are under common ownership or control or are affiliated with the service company since the last report to the Division. If required by the type of work being performed, all subcontractors must be licensed.

Any actions taken against the service company or any of the owners, officers, or directors of the service company in any jurisdiction by a regulatory agency or state attorney general not previously reported to the Division.

Renewal fee. At the time of filing the renewal, the service company shall pay a nonrefundable renewal fee as prescribed by A.R.S. § 20-167 and fixed by the Division.

Late-renewed application and fee.

a. Late-renewal period. A service company whose permit term has expired may file a renewal application up to 90 days after the expiration of the permit term. After the 90-day period, a renewal application will not be accepted by the Division and the service company must file a service company permit application with the Division pursuant to subsection (C) of this Section.

b. A service company whose permit term has expired shall not offer, extend, or renew a service contract until the permit is renewed or a new permit is issued by the Division.

c. Fee. In addition to the nonrefundable renewal fee required under subsection (E)(4) of this Section, the service company shall pay a nonrefundable additional fee of $25 per day starting the calendar day after the permit term expiration and ending on the date the service company files a complete renewal application.

d. Term of a late-renewed permit. The term of a late-renewed permit shall begin on the date the Division renews the permit and shall end on the last day of the permit term.

F. Disapproval of contracts, applications or advertising. The Director may disapprove any service contract, application or advertising material that is in violation of this rule by issuing an order specifying in what respect the service contract, application or advertising material violates this rule. Any person aggrieved by such an order can demand a hearing thereon in accordance with A.R.S. § 20-1095.09.

Deposits of cash or alternatives to cash.

1. Contracts issued, renewed, or extended on or after August 3, 2018. For any contract that a service company issues, extends, or renews from and after August 3, 2018, a service company may not satisfy the financial responsibility requirements of A.R.S. § 20-1095.04 by means of providing a deposit of cash or alternatives to cash.

2. Contracts issued, renewed, or extended before August 3, 2018. If a service company provided a deposit of cash or alternatives to cash covering service contracts that were issued, last extended, or last renewed prior to August 3, 2018, the service company shall maintain the deposit in the amount required to cover those contracts and the deposit shall not be encumbered.

3. Release of deposits of cash or alternatives to cash. As it relates to financial responsibility requirements fulfilled by a deposit of cash or alternatives to cash, the Director shall only release the deposit upon one of the following:

   a. The service company provides a surety bond or mechanical reimbursement policy that covers the outstanding service contract liabilities secured by the cash or alternatives to cash.

   b. The Division has approved the assumption of outstanding service contracts and liabilities by another service company that has acknowledged the assumption of the outstanding contracts and that shall provide each affected contract holder an endorsement issued by the mechanical reimbursement insurer or surety.

   c. The service company provides evidence satisfactory to the Division that:

      i. The outstanding service contracts and liabilities have expired or have been cancelled in accordance with the service contract terms;

      ii. All claims under the service contracts have been settled; and

      iii. The service company is financially able and agrees to be financially responsible for any valid unreported claims.

G. Permit expiration; renewal.

1. Each permit issued pursuant to this rule shall expire at midnight on the last day of the service company’s fiscal year. Thereafter, the service company shall have 90 days in which to file its completed renewal application including its certified financial statement and pay the renewal fee of $100. A permit shall remain in effect upon the service company’s timely payment of the renewal fee, timely filing of its annual financial statement and completed renewal application. An incomplete application will not be considered received until it is complete.

2. Any late filing of the renewal application, financial report or late payment of the renewal fee shall be subject to a late fee of $25 per day. Such late fee shall not release the service company of liability for other violations of these rules or other laws.

Filing of forms.

1. Contracts to be submitted for approval. A service company shall submit contracts for the Division’s approval according to A.R.S. § 20-1095.06. A service company is not required to submit advertisements or marketing materials for approval by the Division but shall abide by the provisions of Title 20, Chapter 2 - Article 6, Chapter 4 - Article 11, and this Section regarding misrepresentations in the sales of service contracts.

2. Requirements for approval. No service contract form shall be approved unless it:

   a. Complies with A.R.S. § 20-1095.06;
b. Itemizes each of the systems, products and appliances covered by the contract and, in bold-faced type, preferably in a larger font, the specific items or components of those systems, products, and appliances which are excluded from coverage. Any item or component not specifically excluded from a covered system, product or appliance is covered;

c. States the service fee or deductible charge, if any, to be charged, or applied, for service calls and/or each covered repair;

d. Specifies in clear and easily understood language the specific circumstances under which a contract holder may engage a subcontractor who is not recommended by the service company without becoming financially responsible under the contract and whether pre-authorization is required prior to engaging a subcontractor who is not recommended by the service company;

e. Specifies in clear and easily understood language the service company’s financial responsibilities to the contract holder when any of the systems, products or appliances covered by the contract cannot be replaced or repaired;

f. Notifies the contract holder that the denial of a claim can be appealed if the contract holder can produce a home inspection report, maintenance records, or other evidence that show the contract holder was not aware, at the time of contracting, of any preexisting condition that would be the basis for the denial of the claim;

g. If applicable, states the conditions under which the service contract or coverage may be reinstated;

h. States the dates of coverage under the service contract including any delay in coverage that differs from the purchase date of the contract which would extend the coverage term of the contract and any terms that govern renewal of the service contract; and

i. States that the administrative expenses may not exceed $75 or 10% of the purchase price of the service contract, whichever is less, when providing a pro rata refund upon cancellation of the service contract before the end of the coverage period of the service contract.

3. Disapproval of contracts. The Division may disapprove any service contract that is in violation of Title 20, Chapter 4 - Article 11, or this subsection (G). The service company may request a hearing to appeal the disapproval according to A.R.S. § 20-161.
**NOTICES OF RULEMAKING DOCKET OPENING**

This section of the Arizona Administrative Register contains Notices of Rulemaking Docket Opening. A docket opening is the first part of the administrative rulemaking process. It is an “announcement” that the agency intends to work on its rules. When an agency opens a rulemaking docket to consider rulemaking, the Administrative Procedure Act (APA) requires the publication of the Notice of Rulemaking Docket Opening.

Under the APA effective January 1, 1995, agencies must submit a Notice of Rulemaking Docket Opening before beginning the formal rulemaking process. Many times an agency may file the Notice of Rulemaking Docket Opening with the Notice of Proposed Rulemaking. The Office of the Secretary of State is the filing office and publisher of these notices. Questions about the interpretation of this information should be directed to the agency contact person listed in item #4 of this notice.

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### NOTICE OF RULEMAKING DOCKET OPENING

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

**AIR POLLUTION CONTROL**

[R21-92]

1. **Title and its heading:** 18, Environmental Quality
   
   **Chapter and its heading:** 2, Department of Environmental Quality - Air Pollution Control
   
   **Article and its heading:** 10, Motor Vehicles; Inspections and Maintenance
   
   **Section number:** R18-2-1006

2. **The subject matter of the proposed rule:**

   Modifying R18-2-1006 to correct minor typographical errors.

3. **A citation to all published notices relating to the proceeding:**

   Not applicable

4. **The name and address of agency personnel with whom persons may communicate regarding the rule:**

   **Name:** Steven Calderon
   
   **Address:** Department of Environmental Quality
   
   1110 W. Washington St.
   
   Phoenix, AZ 85007
   
   **Telephone:** (602) 771-2352
   
   **Email:** calderon.steve@azdeq.gov

5. **The time during which the agency will accept written comments and the time and place where oral comments may be made:**

   Public hearing information will be provided in the Notice of Proposed Expedited Rulemaking.

6. **A timetable for agency decisions or other action on the proceeding, if known:**

   The agency expects to publish a Notice of Proposed Expedited Rulemaking within one year of this Notice of Rulemaking Docket Opening.

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### NOTICE OF RULEMAKING DOCKET OPENING

**DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS**

**INSURANCE DIVISION**

[R21-94]

1. **Title and its heading:** 20, Commerce, Financial Institutions, and Insurance
   
   **Chapter and its heading:** 6, Department of Insurance and Financial Institutions - Insurance Division
   
   **Article and its heading:** 4, Types of Insurance Companies
   
   **Section number:** R20-6-407

2. **The subject matter of the proposed rule:**

   The Arizona Legislature recently passed legislation making changes to the Service Company statutes (Laws 2021, Ch. 5, §§ 16-18 and Laws 2021, Ch. 163, §1). The proposed changes to the rule are intended to realign the rule to the recent statutory changes. The rule is also being amended to provide more specific guidance on permit application, permit renewal procedures and fees as specifically authorized under A.R.S. § 20-1095.01(C).

3. **A citation to all published notices relating to the proceeding:**

   Notice of Proposed Rulemaking: 27 A.A.R. 1140, July 30, 2021 (in this issue)

4. **The name and address of agency personnel with whom persons may communicate regarding the rule:**

   **Name:** Mary Kosinski
Address: Department of Insurance and Financial Institutions
100 N. 15th Ave., Suite 261
Phoenix, AZ 85007-2630
Telephone: (602) 364-3476
Email: mary.kosinski@difi.az.gov

5. **The time during which the agency will accept written comments and the time and place where oral comments may be made:**
   To be determined

6. **A timetable for agency decisions or other action on the proceeding, if known:**
   To be determined
WHEREAS, government regulations should be as limited as possible; and

WHEREAS, burdensome regulations inhibit job growth and economic development; and

WHEREAS, in 2015 the State of Arizona implemented a moratorium on all new regulatory rulemaking by State agencies through executive order, and renewed the moratorium in 2016, 2017, 2018, 2019 and 2020; and

WHEREAS, the State of Arizona eliminated or improved 462 burdensome regulations in 2020 and for a total of 2,751 needless regulations eliminated or improved since 2015; and

WHEREAS, estimates show these eliminations saved job creators $14.7 million in operating costs in 2020 and for a total of over $148.9 million in savings since 2015; and

WHEREAS, in 2020, for every one new necessary rule added to the Administrative Code, four have been repealed or improved; and

WHEREAS, COVID-19 has been hard on small businesses and the economy, and administrative barriers should be removed for their sake; and

WHEREAS, all government agencies of the State of Arizona should continue to promote customer service oriented principles for the people that it serves; and

WHEREAS, each State agency shall continue to conduct a critical and comprehensive review of its administrative rules and take action to reduce the regulatory burden, administrative delay and legal uncertainty associated with government regulation while protecting the health, peace and safety of residents; and

WHEREAS, each State agency should continue to evaluate its administrative rules using any available and reliable data and performance metrics; and

WHEREAS, Article 5, Section 4 of the Arizona Constitution and Title 41, Chapter 1, Article 1 of the Arizona Revised Statutes vests the executive power of the State of Arizona in the Governor.

NOW, THEREFORE, I, Douglas A. Ducey, by virtue of the authority vested in me by the Constitution and laws of the State of Arizona hereby declare the following:

1. A State agency subject to this Order shall not conduct any rulemaking, including regular, expedited, emergency and exempt, whether informal or formal, without the prior written approval of the Office of the Governor. In seeking approval, a State agency shall address one or more of the following as justifications for the rulemaking:
   a. To fulfill an objective related to job creation, economic development or economic expansion in this State.
   b. To reduce or ameliorate a regulatory burden on the public, while achieving the same regulatory objective.
   c. To prevent a significant threat to public health, peace or safety.
   d. To avoid violating a court order or federal law that would result in sanctions by a federal court for failure to conduct the rulemaking action.
   e. To comply with a federal statutory or regulatory requirement if such compliance is related to a condition for the receipt of federal funds or participation in any federal program.
   f. To comply with a new state statutory requirement.
   g. To fulfill an obligation related to fees or any other action necessary to implement the State budget that is certified by the Governor’s Office of Strategic Planning and Budgeting.
   h. To promulgate a rule or other item that is exempt from Title 41, Chapter 6, Arizona Revised Statutes, pursuant to section 41-1005, Arizona Revised Statutes.
   i. To address matters pertaining to the control, mitigation, or eradication of waste, fraud, or abuse within an agency or wasteful, fraudulent or abusive activities perpetrated against an agency.
   j. To eliminate rules which are antiquated, redundant or otherwise no longer necessary for the operation of state government.

2. After the public comment period and the close of the rulemaking record, a State agency subject to this Order shall not submit the proposed rules to the Governor’s Regulatory Review Council without a written final approval from the Office of the Governor.
Before considering the rules submitted by a State agency, the Governor’s Regulatory Review Council must obtain from the State agency the initial approval, referenced in Section 1, and the final approval from the Office of the Governor.

3. A State agency that submits a rulemaking request pursuant to this Order shall recommend for consideration by the Governor’s Office at least three existing rules to eliminate for every one additional rule requested by the agency.

4. All State agencies shall conduct a comprehensive review of any rules that were suspended during the Public Health State of Emergency for COVID-19 to determine if those rules should be permanently suspended and send a report on their findings no later than June 1, 2021.

5. A State agency subject to this Order shall not publicize any directives, policy statements, documents or forms on its website unless such are explicitly authorized by the Arizona Revised Statutes or Arizona Administrative Code. Any material that is not specifically authorized must be removed immediately.

6. A State agency that issues occupational or professional licenses shall prominently post on the agency’s website landing page all current state policies that ease licensing burdens and the exact steps applicants must complete to receive their license using these policies. State agencies should provide information that applies to all applicants, but have a designated area on the landing page that includes licensing information specifically for military spouses, active duty service members and veterans and all policies that make it easier for these applicant groups to receive their license. Examples of reduced licensing burdens include “universal recognition” of out-of-state licenses, availability of temporary licenses, fee waivers, exam exemptions and/or allowing an applicant to substitute military education or experience for licensing requirements. A landing page feature may link to an internal agency web page with more information, if necessary. All information must be easy to locate and written in clear and concise language.

7. A State agency that issues occupational or professional licenses must track veteran and military spouse status of applicants immediately and report that information to the Governor’s Office on an annual basis, starting July 1, 2021.

8. All State agencies that are required to issue occupational or professional licenses by “universal recognition” (established by A.R.S. § 32-4302) must track all applications received for this license type immediately and report that information to the Governor’s Office on an annual basis, starting July 1, 2021. Before any agency denies a professional or occupational license applied for under A.R.S. § 32-4302, the agency shall submit the application and justification for denial to the Office of the Governor for review before any official action is taken by the agency. The Governor’s Office should be notified of any required timeframes, whether in statute or rule, for approval or denial of the license by the agency.

9. For the purposes of this Order, the term “State agencies” includes, without limitation, all executive departments, agencies, offices, and all state boards and commissions, except for: (a) any State agency that is headed by a single elected State official; (b) the Corporation Commission; and (c) any board or commission established by ballot measure during or after the November 1998 general election. Those state agencies, boards and commissions excluded from this Order are strongly encouraged to voluntarily comply with this Order in the context of their own rulemaking processes.

10. This Order does not confer any legal rights upon any persons and shall not be used as a basis for legal challenges to rules, approvals, permits, licenses or other actions or to any inaction of a State agency. For the purposes of this Order, “person,” “rule” and “rulemaking” have the same meanings prescribed in section 41-1001, Arizona Revised Statutes.

11. This Executive Order supersedes Executive Order 2019-01 and Executive Order 2020-02.

IN WITNESS THEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona.

Douglas A. Ducey
GOVERNOR

DONE at the Capitol in Phoenix on this twelfth day of February in the Year Two Thousand and Twenty-One and of the Independence of the United States of America the Year Two Hundred and Forty-Fifth.

ATTEST:
Katie Hobbs
SECRETARY OF STATE
The *Register* is published by volume in a calendar year (See “General Information” in the front of each issue for more information).

Abbreviations for rulemaking activity in this Index include:

**PROPOSED RULEMAKING**
- PN = Proposed new Section
- PM = Proposed amended Section
- PR = Proposed repealed Section
- P# = Proposed renumbered Section

**SUPPLEMENTAL PROPOSED RULEMAKING**
- SPN = Supplemental proposed new Section
- SPM = Supplemental proposed amended Section
- SPR = Supplemental proposed repealed Section
- SP# = Supplemental proposed renumbered Section

**FINAL RULEMAKING**
- FN = Final new Section
- FM = Final amended Section
- FR = Final repealed Section
- F# = Final renumbered Section

**SUMMARY RULEMAKING**
**PROPOSED SUMMARY**
- PSMN = Proposed Summary new Section
- PSMM = Proposed Summary amended Section
- PSMR = Proposed Summary repealed Section
- PSM# = Proposed Summary renumbered Section

**FINAL SUMMARY**
- FSMN = Final Summary new Section
- FSMM = Final Summary amended Section
- FSMR = Final Summary repealed Section
- FSM# = Final Summary renumbered Section

**EXPEDITED RULEMAKING**
**PROPOSED EXPEDITED**
- PEN = Proposed Expedited new Section
- PEM = Proposed Expedited amended Section
- PER = Proposed Expedited repealed Section
- PE# = Proposed Expedited renumbered Section

**SUPPLEMENTAL EXPEDITED**
- SPEN = Supplemental Proposed Expedited new Section
- SPEM = Supplemental Proposed Expedited amended Section
- SPER = Supplemental Proposed Expedited repealed Section
- SPE# = Supplemental Proposed Expedited renumbered Section

**FINAL EXPEDITED**
- FEN = Final Expedited new Section
- FEM = Final Expedited amended Section
- FER = Final Expedited repealed Section
- FE# = Final Expedited renumbered Section

**EXEMPT RULEMAKING**
**EXEMPT**
- XN = Exempt new Section
- XM = Exempt amended Section
- XR = Exempt repealed Section
- X# = Exempt renumbered Section

**EXEMPT PROPOSED**
- PXN = Proposed Exempt new Section
- PXM = Proposed Exempt amended Section
- PXR = Proposed Exempt repealed Section
- PX# = Proposed Exempt renumbered Section

**EXEMPT SUPPLEMENTAL PROPOSED**
- SPXN = Supplemental Proposed Exempt new Section
- SPXR = Supplemental Proposed Exempt repealed Section
- SPXM = Supplemental Proposed Exempt amended Section
- SPX# = Supplemental Proposed Exempt renumbered Section

**FINAL EXEMPT RULEMAKING**
- FXN = Final Exempt new Section
- FXM = Final Exempt amended Section
- FXR = Final Exempt repealed Section
- FX# = Final Exempt renumbered Section

**EMERGENCY RULEMAKING**
- EN = Emergency new Section
- EM = Emergency amended Section
- ER = Emergency repealed Section
- E# = Emergency renumbered Section
- EEXP = Emergency expired

**RECODIFICATION OF RULES**
- RC = Recodified

**REJECTION OF RULES**
- RJ = Rejected by the Attorney General

**TERMINATION OF RULES**
- TN = Terminated proposed new Sections
- TM = Terminated proposed amended Section
- TR = Terminated proposed repealed Section
- T# = Terminated proposed renumbered Section

**RULE EXPIRATIONS**
- EXP = Rules have expired
  - See also “emergency expired” under emergency rulemaking

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- C = Corrections to Published Rules
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R4-34-204. PM-453 R2-17-114. PEM-169; R2-17-115. PEM-169; R2-17-116. PEM-169; R2-17-117. PEM-169; R2-17-118. PEM-169; R2-17-119. PEM-169; R2-17-120. PEM-169; R2-17-121. PEM-169; R2-17-122. PEM-169; R2-17-123. PEM-169; 

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R4-24-107. FXM-1105 R2-17-118. FXM-1105
Table 1. FXM-1105

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A.R.S. § 41-1032(A), as amended by Laws 2002, Ch. 334, § 8 (effective August 22, 2002), states that a rule generally becomes effective 60 days after the day it is filed with the Secretary of State's Office. The following table lists filing dates and effective dates for rules that follow this provision. Please also check the rulemaking Preamble for effective dates.

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**REGISTER PUBLISHING DEADLINES**

The Secretary of State’s Office publishes the Register weekly. There is a three-week turnaround period between a deadline date and the publication date of the Register. The weekly deadline dates and issue dates are shown below. Council meetings and Register deadlines do not correlate. Also listed are the earliest dates on which an oral proceeding can be held on proposed rulemakings or proposed delegation agreements following publication of the notice in the Register.

<table>
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GOVERNOR’S REGULATORY REVIEW COUNCIL DEADLINES

The following deadlines apply to all Five-Year Review Reports and any adopted rule submitted to the Governor’s Regulatory Review Council. Council meetings and Register deadlines do not correlate. We publish these deadlines under A.R.S. § 41-1013(B)(15).

All rules and Five-Year Review Reports are due in the Council office by 5 p.m. of the deadline date. The Council’s office is located at 100 N. 15th Ave., Suite 305, Phoenix, AZ 85007. For more information, call (602) 542-2058 or visit http://grrc.az.gov.

GOVERNOR’S REGULATORY REVIEW COUNCIL DEADLINES FOR 2021
(MEETING DATES ARE SUBJECT TO CHANGE)

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* Materials must be submitted by 5 PM on dates listed as a deadline for placement on a particular agenda. Placement on a particular agenda is not guaranteed.
GOVERNOR'S REGULATORY REVIEW COUNCIL
NOTICE OF ACTION TAKEN AT THE JULY 7, 2021 MEETING

A. CONSENT AGENDA ITEMS:

Five-Year Review Reports:

1. DEPARTMENT OF HEALTH SERVICES - RADIATION CONTROL
   Title 9, Chapter 7, Article 1, General Provisions

2. DEPARTMENT OF HEALTH SERVICES - RADIATION CONTROL
   Title 9, Chapter 7, Article 15, Transportation

3. DEPARTMENT OF HEALTH SERVICES - MEDICAL MARIJUANA PROGRAM
   Title 9, Chapter 17, Department of Health Services - Medical Marijuana Program

4. DEPARTMENT OF HEALTH SERVICES - OCCUPATIONAL LICENSING
   Title 9, Chapter 16, Article 4, Registration of Environmental Health Sanitarians

5. GAME AND FISH COMMISSION
   Title 12, Chapter 4, Article 5, Boating and Water Sports

6. DEPARTMENT OF PUBLIC SAFETY
   Title 13, Chapter 10, Alcohol Testing

7. BOARD OF EXECUTIVE CLEMENCY
   Title 5, Chapter 4, Articles 1-3

COUNCIL ACTION: CONSENT AGENDA APPROVED

B. CONSIDERATION AND DISCUSSION OF RULEMAKINGS:

1. STATE BOARD OF EQUALIZATION
   Title 16, Chapter 4, State Board of Equalization
   New Article:  Article 1
   New Section:  R16-4-101, R16-4-102, R16-4-103, R16-4-104, R16-4-105, R16-4-106, R16-4-107, R16-4-108, R16-4-109,
               R16-4-110, R16-4-111, R16-4-112, R16-4-113, R16-4-114, R16-4-115, R16-4-116, R16-4-117

COUNCIL ACTION: TABLED TO JULY 27, 2021 STUDY SESSION AND AUGUST 3, 2021 COUNCIL MEETING

C. CONSIDERATION AND DISCUSSION OF FIVE-YEAR REVIEW REPORTS:

1. DEPARTMENT OF HEALTH SERVICES - OCCUPATIONAL LICENSING
   Title 9, Chapter 16, Article 1, Licensing of Midwifery

   COUNCIL ACTION: APPROVED

2. GAME AND FISH COMMISSION
   Title 12, Chapter 4, Article 7, Heritage Grants

   COUNCIL ACTION: APPROVED

3. ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM - ADMINISTRATION
   Title 9, Chapter 22, Article 20, Breast and Cervical Cancer Treatment Program

   COUNCIL ACTION: TABLED TO JULY 27, 2021 STUDY SESSION AND AUGUST 3, 2021 COUNCIL MEETING (THIS
   ITEM WAS REMOVED FROM THE CONSENT AGENDA)

D. CONSIDERATION AND DISCUSSION OF A ONE-YEAR EXTENSION REQUEST FOR A FIVE-YEAR REVIEW REPORT
   FROM THE ARIZONA COMMISSION FOR THE DEAF AND HARD OF HEARING

   COUNCIL ACTION: APPROVED
E. CONSIDERATION AND DISCUSSION OF AN APPEAL/PETITION FROM THE GENWORTH LIFE INSURANCE COMPANY PURSUANT TO A.R.S. § 41-1033(E) AND (F)

COUNCIL ACTION: TABLED TO JULY 27, 2021 STUDY SESSION AND AUGUST 3, 2021 COUNCIL MEETING