



**Financial Affairs Division
Arizona Department of Insurance**

2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7269

Phone: (602) 364-3245

Web: <https://insurance.az.gov>

**AUDITED FINANCIAL REPORT
GUIDELINES FOR STANDARDIZED ORGANIZATIONAL HARDSHIP EXEMPTION
AND
SAMPLE AFFIDAVIT**

GENERAL INSTRUCTIONS

You may apply to the Director for an exemption if filing an Audited Financial Report (AFR) will create a financial or organizational hardship.

Guidelines for a Standardized Organizational Hardship Exemption are shown on Page 2. If you meet all of these criteria, apply for an exemption by completing the application requirements below.

DO NOT file this application if you qualify for automatic exemption. Use the Automatic Exemption Notification in Page 2 of **Form E-AFR.GFE** instead.

APPLICATION REQUIREMENTS

Your application for an Organizational Hardship Exemption **must** include:

1. A letter, signed by an officer who is authorized to sign your Annual Statement, requesting an Organizational Hardship Exemption; **AND**
2. A properly completed and signed affidavit. Use the affidavit form on Page 3. It **must** be signed by an officer who is authorized to sign your Annual Statement.

DUE DATE

We must receive your application before **March 31st**. LATE APPLICATIONS ARE NOT CONSIDERED.

SEND YOUR APPLICATION TO:

Financial Affairs Division
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018-7269

DOCUMENTATION REQUIRED

You **must** provide documentation to support the statements made in your affidavit if we request it.

APPROVAL PROCESS

Your application is deemed approved upon receipt by us if it is complete, properly signed and we do not notify you that it is not approved.

We may withdraw or rescind approval of an exemption if you do not meet all requirements.

OTHER HARDSHIP EXEMPTION

If you do not qualify for the automatic or standardized organizational hardship exemptions, you may still apply for an exemption by sending us a letter requesting an organizational or financial hardship exemption and an affidavit signed by one of your officers avowing to the facts which create the hardship. We will notify you in writing that your application is granted or denied.

GUIDELINES FOR STANDARDIZED ORGANIZATIONAL HARDSHIP EXEMPTION

The following are the criteria for a standardized organizational hardship exemption for Arizona domestic reinsurers¹.

1. You are a **reinsurer** holding a certificate of authority in the State of Arizona **only**; and
 2. You comply with the provisions of items 3 through 6 with respect to **each** reinsurance contract and ceding insurer; and
 3. A trust account or custodial account is established with a qualified financial institution located in the United States which is organized under the laws of the United States or any State of the United States that has been granted authority to operate with fiduciary powers, in which assets equal to the net reserve credit taken by the ceding insurer for the business ceded are deposited or, in the alternative, the reinsurance agreement provides that funds will be withheld by the ceding insurer; and
 4. The trust account or custodial account requires only the ceding insurer's (direct writer's) signature in order to withdraw funds and/or to pay claims, provided however, that with the approval of the ceding insurer, funds may be withdrawn by the assuming reinsurer providing that, after the withdrawal, the market value of assets in the trust account or custodial account shall be no less than 102 percent of the net reserves for the business ceded; and
 5. You have obtained from the bank, as custodian or trustee, a verification and listing of assets held in a trust or custodial account **for the purposes described in A.R.S. § 20-1092** as of the calendar year end for which the exemption is requested, and
 6. You have not assumed gross premiums of more than five million dollars in the calendar year for which the exemption is requested and you are not otherwise required to file an audited financial report on the basis of direct premiums.
- ¹ For purposes of these Guidelines, a "reinsurer" means you had direct **ARIZONA** premiums written of less than \$1,000,000 and assumed premiums pursuant to contracts and/or treaties of reinsurance of \$1,000,000 or more for the calendar year of your application.

**AUDITED FINANCIAL REPORT
STANDARDIZED ORGANIZATIONAL HARDSHIP EXEMPTION
FOR ARIZONA DOMESTIC COMPANY ONLY
AFFIDAVIT**

State of _____)
County of _____) ss.

I, _____, being first duly sworn, upon my oath depose and say:

1. I am the _____ of _____, whose NAIC number is _____ and am duly authorized to execute this affidavit on its behalf; and
2. _____ is a reinsurer holding a certificate of authority in the State of Arizona only; and
3. _____ complies with the provisions of items 4 through 7 of this affidavit with respect to each reinsurance contract and ceding insurer; and
4. A trust account or custodial account is established with a qualified financial institution located in the United States which is organized under the laws of the United States or any State of the United States that has been granted authority to operate with Fiduciary power, in which assets equal to the net reserve credit taken by the ceding insurer for the business ceded are deposited or, in the alternative, the reinsurance agreement provides that funds will be withheld by the ceding insurer; and
5. The trust account or custodial account requires only the ceding insurer's (direct writer's) signature in order to withdraw funds and/or to pay claims, provided however, that with the approval of the ceding insurer, funds may be withdrawn by the assuming reinsurer providing that, after the withdrawal, the market value of assets in the trust account or custodial account shall be no less than 102 percent of the net reserves for the business ceded; and
6. _____ has obtained from the bank, as custodian or trustee, a verification and listing of assets held in a trust or custodial account for the purposes described in A.R.S. § 20-1092 as of the most recent calendar year end; and
7. _____ has not assumed gross premiums of more than five million dollars **in the _____ calendar year** and is not otherwise required to file an audited financial report on the basis of direct premiums.

Further affiant sayeth not.

Affiant Signature

Subscribed and sworn to before me this _____ day of _____, _____

Stamp or seal

Notary Public Signature

My commission expires: _____