



## STATE OF ARIZONA RETALIATORY STATEMENT

***Fees (which are nonrefundable) are subject to change each July 1  
The following fee amounts are effective 7/1/2016 through 6/30/2017***

### FEES APPLICABLE TO UCAA EXPANSION APPLICANTS

FEE DESCRIPTION	AMOUNT	PAYABLE TO	NOTES & EXCEPTIONS
Certificate of Authority issuance	\$195	Arizona Department of Insurance	Fraternal benefit society = \$30, HMDO = \$75, Mechanical reimbursement reinsurer = \$300
Annual statement filing	\$300	Arizona Department of Insurance	
Charter document filing	\$75	Arizona Department of Insurance	
Filing certified copy of Articles of Incorporation and all amendments	\$175	Arizona Corporation Commission	Not applicable to reciprocal insurance exchanges.

In addition to the fees above, all applicants must remit a \$100 deposit payable to "Arizona Insurance Examiners' Revolving Fund." You must submit a separate check for this deposit. The deposit is refunded upon the termination of the Certificate of Authority.

### FEES APPLICABLE TO UCAA AMENDMENT APPLICANTS

FEE DESCRIPTION	AMOUNT	PAYABLE TO	NOTES & EXCEPTIONS
Certificate of Authority issuance	\$195	Arizona Department of Insurance	Fraternal benefit society = \$30, HMDO = \$75, Mechanical reimbursement reinsurer = \$300
Charter document filing – Amended	\$30	Arizona Department of Insurance	Only applies if amended Bylaws filed.
Filing certified copy of Amended Articles of Incorporation	\$175	Arizona Corporation Commission	Redomestication or name change only.

No application or fee is required for a business address change. A signed letter of address change notification on company stationary is acceptable. Only submit an application for a statutory home office address change if the current Arizona certificate of authority specifies the city and state of domicile and the city information has changed.

### DEPOSIT REQUIREMENTS

TYPE OF INSURER	AMOUNT	SPECIFICS
All types except those listed below (A.R.S. § 20-213)	\$500,000	Certified by official in possession of assets; held for the benefit of <b>all</b> policyholders.
Prepaid legal (A.R.S. § 20-1097.03)	\$500,000	Eligible securities or surety bond; for the benefit and protection of all persons covered under a prepaid legal insurance contract.
Title (A.R.S. § 20-1563)	Minimum \$250,000 Maximum \$750,000	Certified by official in possession of assets; held for the benefit of <b>all</b> policyholders.
Health care services organization (A.R.S. §§ 20-1055 and 20-1056)	\$500,000 Initial, plus a separate quarterly reserve deposit of 2% of net charges collected up to \$1M.	Certificate of deposit or eligible book entry securities; for the satisfaction of all debts and liabilities of the organization.
Service corporation (A.R.S. § 20-828)	\$200,000 to \$500,000 based on annual gross subscriptions collected.	Certificate of deposit or eligible book entry securities; for the benefit and protection of all subscribers.
Prepaid dental plan organization (A.R.S. § 20-1005)	\$25,000 to \$200,000 based on number of members.	Eligible securities or surety bond; for the benefit and protection of all members.

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**PREMIUM TAX RATES AND CREDITS  
CALENDAR YEAR 2016**

**BASIS OF PREMIUM TAX COMPUTATION, A.R.S. § 20-224**

Total direct premium income including policy membership and other fees and all other considerations for insurance for all classes of business whether designated as a premium or otherwise received on account of policies and contracts covering property, subjects or risks located, resident or to be performed in this state, after deducting from such total direct premium income applicable cancellations, returned premiums, the amount of reduction in or refund of premiums allowed to industrial life policyholders for payment of premiums direct to an office of the insurer, all policy dividends, refunds, savings coupons and other similar returns paid or credited to policyholders within this state and not reapplied as premiums for new, additional or extended insurance. No deduction shall be made of the cash surrender values of policies or contracts. Considerations received on annuity contracts, as well as the unabsorbed portion of any premium deposit, shall not be subject to tax.

**PREMIUM TAX RATES**

Life insurance\* (annuity considerations are exempt from tax)

CY 2016 rate	CY 2015 rate	CY 2014 rate	CY 2013 rate	CY 2012 rate
1.95%	2.00%	2.00%	2.00%	2.00%

\*The life insurance tax rate decreases by 0.05% each tax year until it reaches 1.70%. See ARS § 20-224(B) for details.

Disability insurance .....2.0%

Health care service organizations\*, pre-paid dental plan organizations and hospital, medical, dental and optometric service corporations\*\* .....2.0%

\*Premiums received by health care services organizations from the US Department of Health and Human Services pursuant to Medicare contracts are exempt from tax. A.R.S. § 20-1060(C)

\*\*Premiums received from funds of federal, state or municipal government or political subdivision thereof are exempt from tax. A.R.S. § 20-837(A).

Accountable health plan small-employer group health benefits plan premiums: Exempt from tax.

Fraternal benefit societies: Exempt from tax.

Title insurers pay the Arizona Department of Revenue (<http://www.azdor.gov>) income tax as other private corporations in lieu of premium tax; title insurers are subject to *ad valorem* taxes on Arizona-located real and tangible personal property; title insurers are subject to retaliation payable to the Department of Insurance. ARS § 20-1566(C).

Risk retention groups: Same as foreign admitted insurer.

Fire insurance. Effective 7/3/2015, "fire insurance" consists of 100% fire premium, 40% of commercial multiple peril non-liability premium, 35% of homeowners' multiple peril premium, 25% of farmowners' multiple peril premium and 20% of allied lines premium.

- Fire insurance premiums covering property in incorporated cities or towns that procure services of a private fire company [A.R.S. § 20-224(B)] .....0.66%
- Fire insurance premiums covering property elsewhere in Arizona.....2.2%

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Vehicle insurance premiums\* (includes 2.0% required by A.R.S. §§ 20-224(B) and 0.4312% required by 20-224.01; not applicable to auto warranty contracts)

CY 2016 rate	CY 2015 rate	CY 2014 rate	CY 2013 rate	CY 2012 rate
2.3812%	2.4312%	2.4312%	2.4312%	2.4312%

\*The tax rate for the A.R.S. § 20-224(B) portion decreases by 0.05% each tax year until it reaches 1.70%. See ARS § 20-224(B) for details.

Workers' compensation insurance premium tax assessments are payable to the Arizona Industrial Commission (<http://www.ica.state.az.us>) at the following rates:

A.R.S. § :	Tax Description	CY 2016	CY 2015	CY 2014	CY 2013
23-961(J)	Administrative Fund	1.50%	1.50%	1.75%	2.75%
23-1065(A)	Special Fund – General Liabilities	0.00%	0.58%	1.14%	1.25%
23-1065(F)	Special Fund - Apportionment Claims	0.00%	0.17%	0.25%	0.50%
23-966(D)	Special Fund - Insolvent Carrier/Employer Claims	0.00%	0.00%	0.36%	0.50%
	<b>Total Tax Rate</b>	<b>1.50%</b>	<b>2.25%</b>	<b>3.50%</b>	<b>5.00%</b>

Other property/casualty lines\* (excluding fire, vehicle and workers' compensation)

CY 2016 rate	CY 2015 rate	CY 2014 rate	CY 2013 rate	CY 2012 rate
1.95%	2.00%	2.00%	2.00%	2.00%

\*The tax rate for “all other lines” decreases by 0.05% each tax year until it reaches 1.70%. See ARS § 20-224(B) for details.

### RETALIATORY LAWS: A.R.S. §§ 20-230, 20-1566(C) and A.A.C. R 20-6-205

All taxes, fees, fines, penalties and assessments, excluding *ad valorem* taxes on real or personal property and guaranty fund assessments, are retaliated in the aggregate (A.R.S. § 20-230) except upon title insurers, whose retaliation is based on a comparison of the premium tax an Arizona insurer would pay in the foreign insurer's domicile less the state income tax the foreign insurer paid in Arizona. A.R.S. § 20-1566(C).

ARS § 20-230 excludes from retaliation obligations insurers domiciled in states that do not impose retaliation (Hawaii) and insurers domiciled in states with laws that exempt Arizona insurers from retaliation on a reciprocal basis, which as of July 2016, include Massachusetts, Minnesota, New York and Rhode Island.

As part of the retaliation calculation, an insurer (other than a title insurer) domiciled in a state that permits political subdivisions of the state to levy taxes, fees, assessments or other material obligations against Arizona insurers must multiply the amount of its Arizona premiums that would be taxed under the laws of the insurer's domicile times the applicable “addition to the rate of tax,” accessible from the Department's “Taxes” web page (<https://insurance.az.gov/insurers/taxes>). A.A.C. R20-6-205.F.

### ASSESSMENTS

Insurers are subject to the following assessments:

- **ARS § 20-466(J): Fraud Unit Assessment.** The director shall annually assess each insurer, hospital service corporation, health care services organization, prepaid dental plan organization and service company authorized to transact business up to \$1,050 for the administration and operation of the fraud unit, which may be adjusted annually. Assessments are levied July of each year.

CY 2016	CY 2015	CY 2014	CY 2013	CY 2012
\$1,050.00	\$1,050.00	\$700.00	\$700.00	\$700.00

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- ARS § 20-666: Property and Casualty Insurance Guaranty Fund Assessment. The Fund board may assess each member insurer up to 1% of direct written premiums for kinds of insurance in account with insolvency and not more than \$200 per year for operating expenses of the board. *The retaliation provisions of ARS § 20-230 do not apply to assessments on or credits to insurers for the payment of claims of policyholders of insolvent insurers.*

<b>CY 2016</b>	<b>CY 2015</b>	<b>CY 2014</b>	<b>CY 2013</b>	<b>CY 2012</b>
None planned	None	None	None	None

- ARS § 20-686: Life and Disability Insurance Guaranty Fund Assessment. The fund board may assess each member insurer, separately for each account, a Class-A assessment for the purpose of meeting administrative costs and other general expenses not related to a particular impaired insurer and a Class-B assessment to carry out the powers and duties of the fund with regard to an impaired insurer. The total of all assessments upon a member insurer for each account shall not in any one calendar year exceed 2% of premiums in Arizona on the policies covered by the account. *The retaliation provisions of ARS § 20-230 do not apply to assessments on or credits to insurers for the payment of claims of policyholders of insolvent insurers.*

<b>CY 2016</b>	<b>CY 2015</b>	<b>CY 2014</b>	<b>CY 2013</b>	<b>CY 2012</b>
None planned	None	None	None	None

- ARS § 20-2201(D): Assessment Fund for Voluntary Plans Assessment. The director may annually assess insurers authorized to transact liability insurance up to \$200 for the costs of administering the voluntary plan.

<b>CY 2016</b>	<b>CY 2015</b>	<b>CY 2014</b>	<b>CY 2013</b>	<b>CY 2012</b>
None	\$200.00	\$200.00	\$200.00	\$200.00

- ARS § 20-2212(B): Liability Insurance Joint Underwriting Association – Deficit Assessment. The JUA may assess each member up to 1% of its net direct premium in Arizona attributable to the line of insurance for which the deficit assessment is made.

<b>CY 2016</b>	<b>CY 2015</b>	<b>CY 2014</b>	<b>CY 2013</b>	<b>CY 2012</b>
None	None	None	None	None

- ARS § 20-2213(A): Liability Insurance Joint Underwriting Association – Initial Assessment. An initial assessment of up to \$500 may be imposed upon each member to defray the initial operating expenses. The initial assessment may be refunded by the association.

<b>CY 2016</b>	<b>CY 2015</b>	<b>CY 2014</b>	<b>CY 2013</b>	<b>CY 2012</b>
None	None	None	None	None

- ARS § 20-2541(1): Health Care Appeals Fund – Single Fee. The director may assess each authorized health care insurer a single fee of not more than \$200 per insurer.

<b>CY 2016</b>	<b>CY 2015</b>	<b>CY 2014</b>	<b>CY 2013</b>	<b>CY 2012</b>
None	None	None	None	None

- ARS § 20-2541(2): Health Care Appeals Fund – Annual Assessment. The director may assess each authorized health care insurer a single fee of not more than \$200 per insurer. This assessment was levied at the outset of the department’s health care appeals program.

<b>CY 2016</b>	<b>CY 2015</b>	<b>CY 2014</b>	<b>CY 2013</b>	<b>CY 2012</b>
\$125.00	\$125.00	\$125.00	\$200.00	\$200.00

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- ARS § 41-3541(J): Automobile Theft Authority Fund; Semiannual Fees. Each insurer issuing motor vehicle liability insurance policies shall pay to the Arizona Automobile Theft Authority a **semiannual fee of 50 cents per vehicle** insured under a motor vehicle liability insurance policy issued by the insurer. The fee shall be fully earned and nonrefundable at the time the insurer collects the premium for the motor vehicle liability insurance policy. Insurers must transmit fees to the Arizona Automobile Theft Authority by January 31 for vehicles insured under policies issued during the immediately preceding July 1 through December 31, and by July 31 for vehicles insured under policies issued during the immediately preceding January 1 through June 30.

### ALLOWABLE CREDITS AND OFFSETS

As of the edition date of this form, there has been no **Arizona Guaranty Fund Assessment**; therefore, **no tax offset is available.** Guaranty Fund assessments are excluded from retaliation calculations. A.R.S. §§ 20-674 and 20-692.

Before attempting to claim **New Employment or Military Reuse Zone credits**, insurers must first be certified as eligible by the Arizona Department of Commerce. A.R.S. § 20-224.03 and 20-224.04. Unused credits can be carried forward for up to five tax years. See information on the Department of Insurance Taxes Page (<https://insurance.az.gov/insurers/taxes>). Contact the Insurance Tax Section at (602) 364-3245 for further assistance.

Insurers that received **Health Insurance Certificates** from the Arizona Department of Revenue for health insurance coverage that became effective between January 1 and December 31, 2016 (regardless of the dates Certificates were issued), can deduct the amount of the credit stated on the Certificates from the insurer's 2016 insurance premium tax liability. If the amount of tax credits from Certificates exceeds the tax liability, the insurer is entitled to a refund. A.R.S. § 20-224.05(E). Credits from using Certificates are excluded from retaliation calculations. A.R.S. § 20-224.05(G).

Taxpayers are eligible for credits for contributions to qualified **School Tuition Organizations** that are pre-approved by the Arizona Department of Revenue. School Tuition Organization credits are excluded from retaliation calculations. A.R.S. §§ 20-224.06 and 20-224.07.

### CONTACT PERSONS

**Cary Cook, Chief Financial Compliance Officer** (602) 364-3986 [ccook@azinsurance.gov](mailto:ccook@azinsurance.gov)

Admission application requirements, fees and deposits

Certificate of Authority amendment requirements, fees and deposits

Procedures and fees for filing Articles of Incorporation or amended Articles

Trust deposit procedures and forms

**Susan Yopez, Tax Section Supervisor** (602) 364-3997 or (602) 364-3246 [syopez@azinsurance.gov](mailto:syopez@azinsurance.gov)

Tax reporting forms and instructions

**Mary Jordan, Accounting Manager** (602) 364-2459 [mjordan@azinsurance.gov](mailto:mjordan@azinsurance.gov)

Assessments

**Tony McCormack, Compliance Section** (602) 364-3245 [amccormack@azinsurance.gov](mailto:amccormack@azinsurance.gov)

Annual Statement filing instructions and fees