



STATE OF ARIZONA RETALIATORY STATEMENT

Nonrefundable fee amounts are subject to change annually effective July 1st
The fee amounts listed below are effective 7/1/11 through 6/30/12

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	\$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 ALL 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 ALL policyholders.
Workers' Compensation (A.R.S. § 23-961C)	Minimum \$100,000, plus 10% for market fluctuation.	Eligible securities or surety bond; for the benefit and protection of Arizona WC 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 2011**

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 and Disability Insurance (annuity considerations are exempt from tax)..... 2.0%

Health Care Service Organizations, Pre-Paid Dental Plan Organizations and Hospital, Medical, Dental and Optometric Service Corporations..... 2.0%

Accountable Health Plan Small Employer Group Health Benefits Plan premiums: 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).

Property/Casualty, Mortgage Guaranty, Prepaid Legal Insurance:

- 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%
- All Other Lines (Excluding Fire and Workers' Compensation) 2.0%
- Vehicle Insurance Premiums - **In addition to** the All Other Lines (2.0%) tax. (Not applicable to auto warranty contracts) 0.4312%
- 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	Rate
23-961(J)	Administrative Fund	2.65 %
23-1065(A)	Special Fund – General Liabilities	1.50 %
23-1065(F)	Special Fund - Apportionment Claims	0.50 %
23-966(D)	Special Fund - Insolvent Carrier/Employer Claims	0.50 %
Total Tax Rate		<u>5.15</u> %

RETALIATORY LAWS: A.R.S. §§ 20-230 AND 20-1566(C)

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). See next page for "Additions to the Rate of Tax" applicable to insurers domiciled in the states listed per A.R.S. § 20-230 and A.A.C. R20-6-205.

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ADDITIONS TO THE RATE OF TAX; A.R.S. § 20-230 AND A.A.C. R20-6-205

As part of the retaliation calculation, an insurer (other than a title insurer) domiciled in a state listed below must multiply the amount of Arizona premiums that would be taxed under the laws of the insurer's domicile times the applicable addition to the rate of tax below. A.A.C. R20-6-205(F).

2011 ADDITIONS TO THE RATES OF TAX		
STATE	For Insurers Authorized to Issue Life Insurance Policies	For Insurers Not Authorized to Issue Life Insurance Policies
ALABAMA	0.216692%	0.374414%
FLORIDA	0.049645%	0.017166%
GEORGIA*	0.000000%	2.659096%
KENTUCKY	1.069292%	5.224338%
LOUISIANA	0.755192%	0.971804%
MINNESOTA	0.000000%	0.020448%
MISSISSIPPI	0.000000%	0.009471%
NEW YORK	0.310482%	0.109255%
SOUTH CAROLINA	0.862057%	1.791554%
WEST VIRGINIA	0.018283%	0.003717%
*Also 0.000000% for Georgia-domiciled disability (only) insurers and HMOs per O.C.G.A. §§ 33-88-8 and 33-8-8.1		

ALLOWABLE CREDITS AND OFFSETS

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

Insurers must first be certified as eligible for **New Employment, Enterprise Zone or Military Reuse Zone credits** by the Arizona Department of Commerce before attempting to claim such credits. A.R.S. § 20-224.03 and 20-224.04. Unused credits can be carried forward for up to five tax years. The Enterprise Zone Credit expired June 30, 2011. The New Employment Credit became effective July 1, 2011. See information on the Department of Insurance Tax Forms and Instructions Page (www.azinsurance.gov/taxunit). Contact the Tax Unit at (602) 364-3245 for further assistance.

Insurers that received **Health Insurance Certificates from the Arizona Department of Revenue** with an **EFFECTIVE DATE** between January 1 and December 31, 2011, can deduct the amount of the credit stated on the Certificates from the insurer's 2011 insurance premium tax liability. If the amount of tax credits from Certificates exceed 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, Insurer Licensing and Compliance Manager (602) 364-3986 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

Tamika Walton, Tax Unit Supervisor (602) 364-3245 twalton@azinsurance.gov

- Tax reporting forms and instructions

Tony McCormack, Compliance Section (602) 364-3245 amccormack@azinsurance.gov

- Annual Statement filing instructions and fees