



**DEPARTMENT OF INSURANCE
STATE OF ARIZONA**

Financial Affairs Division - Compliance Section
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018-7269
Phone: (602) 364-3245
Fax: (602) 364-3989
www.azinsurance.gov

**ARIZONA DOMESTIC COMPANY 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 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 fillable 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:

Arizona Department of Insurance
**ATTN: Financial Affairs Division
Compliance Section Manager**
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. If you want a receipt returned to you, include a duplicate copy of the affidavit and a self-addressed postage-paid envelope.

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

OTHER ORGANIZATIONAL OR FINANCIAL HARDSHIPS

If you do not meet all of the criteria in the guidelines below you may still apply for an exemption by sending a letter requesting an organizational or financial hardship exemption and an affidavit signed by one of your officers avowing to the facts which create your hardship. We will confirm to you in writing that your application is either 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.

