

State of Arizona
Senate
Forty-eighth Legislature
Second Regular Session
2008

SENATE BILL 1163

AN ACT

AMENDING SECTION 20-1241.01, ARIZONA REVISED STATUTES; RELATING TO LIFE INSURANCE REPLACEMENT POLICIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-1241.01, Arizona Revised Statutes, is amended to
3 read:

4 20-1241.01. Scope of article

5 A. This article applies to the replacement of policies and contracts
6 except for the following:

7 1. Credit life insurance.

8 2. Except as provided in subsection B of this section, group policies
9 and contracts that do not involve direct solicitation of individuals by an
10 insurance producer.

11 3. Policies and contracts used to fund prearranged funeral agreements
12 as defined in section 32-1301.

13 4. Except as provided in subsection C of this section, a policy or
14 contract that is used to fund any of the following:

15 (a) An employee pension and welfare plan as defined by and that is
16 subject to the employee retirement income security act of 1974 (29 United
17 States Code ~~section~~ SECTIONS 1001 through 1461).

18 (b) A plan described by sections 401(a), 401(k) or 403(b) of the
19 internal revenue code, where the plan, for purposes of the employee
20 retirement income security act of 1974, is established or maintained by an
21 employer.

22 (c) A governmental or church plan as defined in section 414 of the
23 internal revenue code, a governmental or church welfare benefit plan, or a
24 deferred compensation plan of a state or local government or a tax exempt
25 organization pursuant to section 457 of the internal revenue code.

26 (d) A nonqualified deferred compensation arrangement established or
27 maintained by an employer or plan sponsor.

28 5. An application to the existing insurer that issued the existing
29 policy or contract:

30 (a) To exercise a contractual change or a conversion privilege.

31 (b) If the existing insurer is replacing the existing policy or
32 contract pursuant to a program filed with and approved by the director.

33 (c) IF A TERM CONVERSION PRIVILEGE IS EXERCISED AMONG CORPORATE
34 AFFILIATES.

35 6. Existing life insurance that is a nonrenewable and nonconvertible
36 term life insurance policy that will expire in five years or less.

37 7. Proposed life insurance that is to replace life insurance under a
38 binding or conditional receipt issued by the same insurer.

39 8. New coverage that is provided under a policy or contract if the
40 insured's employer or an association of which the insured is a member bears
41 all costs.

42 9. Immediate annuities that are purchased with proceeds from an
43 existing contract. Immediate annuities purchased with proceeds from an
44 existing policy are subject to this article.

45 10. Structured settlements as defined in section 12-2901.

1 B. Group policies and contracts involving direct solicitation are
2 subject to this article.

3 C. Notwithstanding subsection A of this section, this article applies
4 to a policy or contract that is used to fund any plan or arrangement that
5 meets all of the following requirements:

6 1. The plan or arrangement is funded solely by contributions an
7 employee elects to make on a pretax or after tax basis.

8 2. The insurer has been notified that plan participants may choose
9 from among two or more contract providers or policy providers.

10 3. The insurance producer directly solicits individual employees for
11 the purchase of the contract or policy.

12 D. Registered contracts are exempt from the requirements of this
13 article with respect to the provision of illustrations or policy summaries.
14 Premium or contract contribution amounts and identification of the
15 appropriate prospectus or offering circular are required.