

Representative James A. Dunnigan proposes the following substitute bill:

INSURANCE MODIFICATIONS

2015 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: James A. Dunnigan

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill modifies the Insurance Code and provisions citing the Insurance Code.

Highlighted Provisions:

This bill:

- ▶ amends definition provisions;
- ▶ amends the cap on the Captive Insurance Restricted Account;
- ▶ amends service contract provisions to address appearance protection products and vehicle protection products;
- ▶ revises provisions related to insurance holding companies, including:
 - addressing subsidiaries;
 - addressing acquisition of control of, divestiture of control of, or merger with domestic insurer;
 - providing for acquisitions involving insurers not otherwise covered;
 - modifying provisions related to registration of insurers;
 - addressing standards and management of an insurer within a holding company system;
 - addressing examination of registered insurers;
 - providing for supervisory colleges;



- 26 • addressing confidentiality of information;
- 27 • imposing sanctions;
- 28 • providing for receivership;
- 29 • providing for recovery;
- 30 • allowing revocation, suspension, or renewal of insurers license;
- 31 • granting rulemaking authority and authority to issue orders;
- 32 • addressing judicial review and mandamus;
- 33 • addressing conflicts with other laws; and
- 34 • providing for severability;
- 35 ▶ addresses provisions related to fidelity bonds;
- 36 ▶ addresses trustee groups;
- 37 ▶ modifies exemption from conversion privileges for insured former spouse;
- 38 ▶ modifies definition of "Medicare Supplement Policy";
- 39 ▶ modifies definitions related to licensing;
- 40 ▶ addresses license lapse and voluntary surrender;
- 41 ▶ amends unfair marketing practices to include the use of certain names;
- 42 ▶ addresses continuing education requirements for navigators;
- 43 ▶ requires third party administrator to maintain with the commissioner certain
- 44 information related to place of business and contact information;
- 45 ▶ addresses receiver's compliance with financial reporting requirements;
- 46 ▶ restricts subrogation rights against an insolvent insurer's insured;
- 47 ▶ modifies definition provisions related to captive insurance companies;
- 48 ▶ addresses commissioner's ability to adopt rules related to waiver or modification of
- 49 certain public notice or hearings related to captive insurance companies;
- 50 ▶ includes certificate of organization as a document used to apply for a certificate of
- 51 authority;
- 52 ▶ addresses requirements for a captive insurance company to conduct insurance
- 53 business in this state;
- 54 ▶ provides for a limited liability company being a captive insurance company;
- 55 ▶ modifies capital requirements for captive insurance companies;
- 56 ▶ repeals language related to capital stock of a captive insurance company;

- 57 ▶ addresses when a captive insurance company can provide reinsurance;
- 58 ▶ addresses conversion or merger of a captive insurance company;
- 59 ▶ provides for a sponsored cell captive insurance company;
- 60 ▶ addresses fees to be paid by a protected cell captive insurance company;
- 61 ▶ modifies requirements for sponsored captive insurance companies;
- 62 ▶ clarifies participants in sponsored captive insurance companies;
- 63 ▶ addresses reporting requirements for sponsored cell captive insurance companies;
- 64 ▶ modifies the timing of examinations;
- 65 ▶ repeals free surplus provisions related to captive insurance companies;
- 66 ▶ repeals provisions related to a captive reinsurance company;
- 67 ▶ addresses stop-loss insurance coverage standards;
- 68 ▶ extends the Defined Contribution Risk Adjuster Act; and
- 69 ▶ makes technical and conforming amendments.

70 **Money Appropriated in this Bill:**

71 None

72 **Other Special Clauses:**

73 This bill provides a special effective date.

74 **Utah Code Sections Affected:**

75 AMENDS:

76 **31A-1-301**, as last amended by Laws of Utah 2014, Chapters 290 and 300

77 **31A-3-304 (Effective 07/01/15)**, as last amended by Laws of Utah 2014, Chapters 290
78 and 300

79 **31A-6a-101**, as enacted by Laws of Utah 1992, Chapter 203

80 **31A-6a-103**, as last amended by Laws of Utah 2008, Chapter 345

81 **31A-6a-104**, as last amended by Laws of Utah 2011, Chapter 297

82 **31A-6a-105**, as last amended by Laws of Utah 2010, Chapter 274

83 **31A-16-103**, as last amended by Laws of Utah 2014, Chapters 290 and 300

84 **31A-16-105**, as last amended by Laws of Utah 2007, Chapter 306

85 **31A-16-106**, as last amended by Laws of Utah 2010, Chapter 324

86 **31A-16-109**, as last amended by Laws of Utah 1987, Chapter 91

87 **31A-21-313**, as last amended by Laws of Utah 2011, Chapter 297

- 88 **31A-21-314**, as last amended by Laws of Utah 1987, Chapter 95
- 89 **31A-22-504**, as enacted by Laws of Utah 1985, Chapter 242
- 90 **31A-22-612**, as last amended by Laws of Utah 2013, Chapter 319
- 91 **31A-22-620**, as last amended by Laws of Utah 2009, Chapter 349
- 92 **31A-23a-102**, as last amended by Laws of Utah 2014, Chapters 290 and 300
- 93 **31A-23a-113**, as last amended by Laws of Utah 2014, Chapters 290 and 300
- 94 **31A-23a-402**, as last amended by Laws of Utah 2013, Chapter 319
- 95 **31A-23b-206**, as last amended by Laws of Utah 2014, Chapters 290, 300, 425 and last
- 96 amended by Coordination Clause, Laws of Utah 2014, Chapters 300, and 425
- 97 **31A-27a-116**, as last amended by Laws of Utah 2008, Chapter 382
- 98 **31A-28-213**, as last amended by Laws of Utah 2007, Chapter 309
- 99 **31A-37-102**, as last amended by Laws of Utah 2008, Chapter 302
- 100 **31A-37-106**, as last amended by Laws of Utah 2011, Chapter 297
- 101 **31A-37-202**, as last amended by Laws of Utah 2011, Chapters 284 and 297
- 102 **31A-37-204**, as last amended by Laws of Utah 2004, Chapter 312
- 103 **31A-37-301**, as last amended by Laws of Utah 2011, Chapter 297
- 104 **31A-37-302**, as last amended by Laws of Utah 2011, Chapter 297
- 105 **31A-37-303**, as enacted by Laws of Utah 2003, Chapter 251
- 106 **31A-37-306**, as last amended by Laws of Utah 2011, Chapter 297
- 107 **31A-37-401**, as enacted by Laws of Utah 2003, Chapter 251
- 108 **31A-37-402**, as last amended by Laws of Utah 2011, Chapter 297
- 109 **31A-37-403**, as last amended by Laws of Utah 2004, Chapter 312
- 110 **31A-37-404**, as enacted by Laws of Utah 2004, Chapter 312
- 111 **31A-37-501**, as last amended by Laws of Utah 2014, Chapters 290 and 300
- 112 **31A-37-502**, as last amended by Laws of Utah 2009, Chapter 349
- 113 **31A-37-505**, as enacted by Laws of Utah 2003, Chapter 251
- 114 **31A-43-301**, as last amended by Laws of Utah 2014, Chapters 290 and 300
- 115 **63I-2-231**, as last amended by Laws of Utah 2013, Chapter 341
- 116 ENACTS:
- 117 **31A-6a-111**, Utah Code Annotated 1953
- 118 **31A-16-102.5**, Utah Code Annotated 1953

- 119 **31A-16-104.5**, Utah Code Annotated 1953
- 120 **31A-16-108.5**, Utah Code Annotated 1953
- 121 **31A-16-112**, Utah Code Annotated 1953
- 122 **31A-16-113**, Utah Code Annotated 1953
- 123 **31A-16-114**, Utah Code Annotated 1953
- 124 **31A-16-115**, Utah Code Annotated 1953
- 125 **31A-16-116**, Utah Code Annotated 1953
- 126 **31A-16-117**, Utah Code Annotated 1953
- 127 **31A-16-118**, Utah Code Annotated 1953
- 128 **31A-16-119**, Utah Code Annotated 1953
- 129 **31A-25-302.5**, Utah Code Annotated 1953

130 RENUMBERS AND AMENDS:

- 131 **31A-16-107.5**, (Renumbered from 31A-16-108, as enacted by Laws of Utah 1985,
- 132 Chapter 242)

133 REPEALS:

- 134 **31A-37-205**, as last amended by Laws of Utah 2004, Chapter 312
- 135 **31A-37-601**, as last amended by Laws of Utah 2011, Chapter 297
- 136 **31A-37-602**, as last amended by Laws of Utah 2008, Chapters 302 and 382
- 137 **31A-37-603**, as last amended by Laws of Utah 2008, Chapter 302
- 138 **31A-37-604**, as enacted by Laws of Utah 2004, Chapter 312



140 *Be it enacted by the Legislature of the state of Utah:*

141 Section 1. Section **31A-1-301** is amended to read:

142 **31A-1-301. Definitions.**

143 As used in this title, unless otherwise specified:

144 (1) (a) "Accident and health insurance" means insurance to provide protection against
145 economic losses resulting from:

146 (i) a medical condition including:

147 (A) a medical care expense; or

148 (B) the risk of disability;

149 (ii) accident; or

- 150 (iii) sickness.
- 151 (b) "Accident and health insurance":
- 152 (i) includes a contract with disability contingencies including:
- 153 (A) an income replacement contract;
- 154 (B) a health care contract;
- 155 (C) an expense reimbursement contract;
- 156 (D) a credit accident and health contract;
- 157 (E) a continuing care contract; and
- 158 (F) a long-term care contract; and
- 159 (ii) may provide:
- 160 (A) hospital coverage;
- 161 (B) surgical coverage;
- 162 (C) medical coverage;
- 163 (D) loss of income coverage;
- 164 (E) prescription drug coverage;
- 165 (F) dental coverage; or
- 166 (G) vision coverage.
- 167 (c) "Accident and health insurance" does not include workers' compensation insurance.
- 168 (2) "Actuary" is as defined by the commissioner by rule, made in accordance with Title
- 169 63G, Chapter 3, Utah Administrative Rulemaking Act.
- 170 (3) "Administrator" is defined in Subsection [~~(164)~~] (166).
- 171 (4) "Adult" means an individual who has attained the age of at least 18 years.
- 172 (5) "Affiliate" means a person who controls, is controlled by, or is under common
- 173 control with, another person. A corporation is an affiliate of another corporation, regardless of
- 174 ownership, if substantially the same group of individuals manage the corporations.
- 175 (6) "Agency" means:
- 176 (a) a person other than an individual, including a sole proprietorship by which an
- 177 individual does business under an assumed name; and
- 178 (b) an insurance organization licensed or required to be licensed under Section
- 179 [31A-23a-301](#), [31A-25-207](#), or [31A-26-209](#).
- 180 (7) "Alien insurer" means an insurer domiciled outside the United States.

- 181 (8) "Amendment" means an endorsement to an insurance policy or certificate.
- 182 (9) "Annuity" means an agreement to make periodical payments for a period certain or
183 over the lifetime of one or more individuals if the making or continuance of all or some of the
184 series of the payments, or the amount of the payment, is dependent upon the continuance of
185 human life.
- 186 (10) "Application" means a document:
- 187 (a) (i) completed by an applicant to provide information about the risk to be insured;
188 and
189 (ii) that contains information that is used by the insurer to evaluate risk and decide
190 whether to:
- 191 (A) insure the risk under:
- 192 (I) the coverage as originally offered; or
193 (II) a modification of the coverage as originally offered; or
194 (B) decline to insure the risk; or
- 195 (b) used by the insurer to gather information from the applicant before issuance of an
196 annuity contract.
- 197 (11) "Articles" or "articles of incorporation" means:
- 198 (a) the original articles;
199 (b) a special law;
200 (c) a charter;
201 (d) an amendment;
202 (e) restated articles;
203 (f) articles of merger or consolidation;
204 (g) a trust instrument;
205 (h) another constitutive document for a trust or other entity that is not a corporation;
206 and
207 (i) an amendment to an item listed in Subsections (11)(a) through (h).
- 208 (12) "Bail bond insurance" means a guarantee that a person will attend court when
209 required, up to and including surrender of the person in execution of a sentence imposed under
210 Subsection [77-20-7\(1\)](#), as a condition to the release of that person from confinement.
- 211 (13) "Binder" is defined in Section [31A-21-102](#).

- 212 (14) "Blanket insurance policy" means a group policy covering a defined class of
213 persons:
- 214 (a) without individual underwriting or application; and
 - 215 (b) that is determined by definition without designating each person covered.
- 216 (15) "Board," "board of trustees," or "board of directors" means the group of persons
217 with responsibility over, or management of, a corporation, however designated.
- 218 (16) "Bona fide office" means a physical office in this state:
- 219 (a) that is open to the public;
 - 220 (b) that is staffed during regular business hours on regular business days; and
 - 221 (c) at which the public may appear in person to obtain services.
- 222 (17) "Business entity" means:
- 223 (a) a corporation;
 - 224 (b) an association;
 - 225 (c) a partnership;
 - 226 (d) a limited liability company;
 - 227 (e) a limited liability partnership; or
 - 228 (f) another legal entity.
- 229 (18) "Business of insurance" is defined in Subsection [~~(88)~~] (89).
- 230 (19) "Business plan" means the information required to be supplied to the
231 commissioner under Subsections 31A-5-204(2)(i) and (j), including the information required
232 when these subsections apply by reference under:
- 233 (a) Section 31A-7-201;
 - 234 (b) Section 31A-8-205; or
 - 235 (c) Subsection 31A-9-205(2).
- 236 (20) (a) "Bylaws" means the rules adopted for the regulation or management of a
237 corporation's affairs, however designated.
- 238 (b) "Bylaws" includes comparable rules for a trust or other entity that is not a
239 corporation.
- 240 (21) "Captive insurance company" means:
- 241 (a) an insurer;
 - 242 (i) owned by another organization; and

- 243 (ii) whose exclusive purpose is to insure risks of the parent organization and an
244 affiliated company; or
- 245 (b) in the case of a group or association, an insurer:
- 246 (i) owned by the insureds; and
- 247 (ii) whose exclusive purpose is to insure risks of:
- 248 (A) a member organization;
- 249 (B) a group member; or
- 250 (C) an affiliate of:
- 251 (I) a member organization; or
- 252 (II) a group member.
- 253 (22) "Casualty insurance" means liability insurance.
- 254 (23) "Certificate" means evidence of insurance given to:
- 255 (a) an insured under a group insurance policy; or
- 256 (b) a third party.
- 257 (24) "Certificate of authority" is included within the term "license."
- 258 (25) "Claim," unless the context otherwise requires, means a request or demand on an
259 insurer for payment of a benefit according to the terms of an insurance policy.
- 260 (26) "Claims-made coverage" means an insurance contract or provision limiting
261 coverage under a policy insuring against legal liability to claims that are first made against the
262 insured while the policy is in force.
- 263 (27) (a) "Commissioner" or "commissioner of insurance" means Utah's insurance
264 commissioner.
- 265 (b) When appropriate, the terms listed in Subsection (27)(a) apply to the equivalent
266 supervisory official of another jurisdiction.
- 267 (28) (a) "Continuing care insurance" means insurance that:
- 268 (i) provides board and lodging;
- 269 (ii) provides one or more of the following:
- 270 (A) a personal service;
- 271 (B) a nursing service;
- 272 (C) a medical service; or
- 273 (D) any other health-related service; and

274 (iii) provides the coverage described in this Subsection (28)(a) under an agreement
275 effective:

- 276 (A) for the life of the insured; or
- 277 (B) for a period in excess of one year.

278 (b) Insurance is continuing care insurance regardless of whether or not the board and
279 lodging are provided at the same location as a service described in Subsection (28)(a)(ii).

280 (29) (a) "Control," "controlling," "controlled," or "under common control" means the
281 direct or indirect possession of the power to direct or cause the direction of the management
282 and policies of a person. This control may be:

- 283 (i) by contract;
- 284 (ii) by common management;
- 285 (iii) through the ownership of voting securities; or
- 286 (iv) by a means other than those described in Subsections (29)(a)(i) through (iii).

287 (b) There is no presumption that an individual holding an official position with another
288 person controls that person solely by reason of the position.

289 (c) A person having a contract or arrangement giving control is considered to have
290 control despite the illegality or invalidity of the contract or arrangement.

291 (d) There is a rebuttable presumption of control in a person who directly or indirectly
292 owns, controls, holds with the power to vote, or holds proxies to vote 10% or more of the
293 voting securities of another person.

294 (30) "Controlled insurer" means a licensed insurer that is either directly or indirectly
295 controlled by a producer.

296 (31) "Controlling person" means a person that directly or indirectly has the power to
297 direct or cause to be directed, the management, control, or activities of a reinsurance
298 intermediary.

299 (32) "Controlling producer" means a producer who directly or indirectly controls an
300 insurer.

301 (33) (a) "Corporation" means an insurance corporation, except when referring to:

- 302 (i) a corporation doing business:
 - 303 (A) as:
 - 304 (I) an insurance producer;

- 305 (II) a surplus lines producer;
- 306 (III) a limited line producer;
- 307 (IV) a consultant;
- 308 (V) a managing general agent;
- 309 (VI) a reinsurance intermediary;
- 310 (VII) a third party administrator; or
- 311 (VIII) an adjuster; and
- 312 (B) under:
- 313 (I) Chapter 23a, Insurance Marketing - Licensing Producers, Consultants, and
- 314 Reinsurance Intermediaries;
- 315 (II) Chapter 25, Third Party Administrators; or
- 316 (III) Chapter 26, Insurance Adjusters; or
- 317 (ii) a noninsurer that is part of a holding company system under Chapter 16, Insurance
- 318 Holding Companies.
- 319 (b) "Stock corporation" means a stock insurance corporation.
- 320 (c) "Mutual" or "mutual corporation" means a mutual insurance corporation.
- 321 (34) (a) "Creditable coverage" has the same meaning as provided in federal regulations
- 322 adopted pursuant to the Health Insurance Portability and Accountability Act.
- 323 (b) "Creditable coverage" includes coverage that is offered through a public health plan
- 324 such as:
- 325 (i) the Primary Care Network Program under a Medicaid primary care network
- 326 demonstration waiver obtained subject to Section [26-18-3](#);
- 327 (ii) the Children's Health Insurance Program under Section [26-40-106](#); or
- 328 (iii) the Ryan White Program Comprehensive AIDS Resources Emergency Act, Pub. L.
- 329 101-381, and Ryan White HIV/AIDS Treatment Modernization Act of 2006, Pub. L. 109-415.
- 330 (35) "Credit accident and health insurance" means insurance on a debtor to provide
- 331 indemnity for payments coming due on a specific loan or other credit transaction while the
- 332 debtor has a disability.
- 333 (36) (a) "Credit insurance" means insurance offered in connection with an extension of
- 334 credit that is limited to partially or wholly extinguishing that credit obligation.
- 335 (b) "Credit insurance" includes:

- 336 (i) credit accident and health insurance;
- 337 (ii) credit life insurance;
- 338 (iii) credit property insurance;
- 339 (iv) credit unemployment insurance;
- 340 (v) guaranteed automobile protection insurance;
- 341 (vi) involuntary unemployment insurance;
- 342 (vii) mortgage accident and health insurance;
- 343 (viii) mortgage guaranty insurance; and
- 344 (ix) mortgage life insurance.

345 (37) "Credit life insurance" means insurance on the life of a debtor in connection with
346 an extension of credit that pays a person if the debtor dies.

347 [~~(40)~~] (38) "Creditor" means a person, including an insured, having a claim, whether:

- 348 (a) matured;
- 349 (b) unmatured;
- 350 (c) liquidated;
- 351 (d) unliquidated;
- 352 (e) secured;
- 353 (f) unsecured;
- 354 (g) absolute;
- 355 (h) fixed; or
- 356 (i) contingent.

357 (39) "Credit unemployment insurance" means insurance:

- 358 (a) offered in connection with an extension of credit; and
- 359 (b) that provides indemnity if the debtor is unemployed for payments coming due on a:
 - 360 (i) specific loan; or
 - 361 (ii) credit transaction.

362 [~~(38)~~] (40) "Credit property insurance" means insurance:

- 363 (a) offered in connection with an extension of credit; and
- 364 (b) that protects the property until the debt is paid.

365 (41) (a) "Crop insurance" means insurance providing protection against damage to
366 crops from unfavorable weather conditions, fire or lightning, flood, hail, insect infestation,

367 disease, or other yield-reducing conditions or perils that is:

- 368 (i) provided by the private insurance market; or
- 369 (ii) subsidized by the Federal Crop Insurance Corporation.

370 (b) "Crop insurance" includes multiperil crop insurance.

371 (42) (a) "Customer service representative" means a person that provides an insurance
372 service and insurance product information:

373 (i) for the customer service representative's:

- 374 (A) producer;
- 375 (B) surplus lines producer; or
- 376 (C) consultant employer; and

377 (ii) to the customer service representative's employer's:

- 378 (A) customer;
- 379 (B) client; or
- 380 (C) organization.

381 (b) A customer service representative may only operate within the scope of authority of
382 the customer service representative's producer, surplus lines producer, or consultant employer.

383 (43) "Deadline" means a final date or time:

384 (a) imposed by:

- 385 (i) statute;
- 386 (ii) rule; or
- 387 (iii) order; and

388 (b) by which a required filing or payment must be received by the department.

389 (44) "Deemer clause" means a provision under this title under which upon the
390 occurrence of a condition precedent, the commissioner is considered to have taken a specific
391 action. If the statute so provides, a condition precedent may be the commissioner's failure to
392 take a specific action.

393 (45) "Degree of relationship" means the number of steps between two persons
394 determined by counting the generations separating one person from a common ancestor and
395 then counting the generations to the other person.

396 (46) "Department" means the Insurance Department.

397 (47) "Director" means a member of the board of directors of a corporation.

- 398 (48) "Disability" means a physiological or psychological condition that partially or
399 totally limits an individual's ability to:
- 400 (a) perform the duties of:
 - 401 (i) that individual's occupation; or
 - 402 (ii) an occupation for which the individual is reasonably suited by education, training,
403 or experience; or
 - 404 (b) perform two or more of the following basic activities of daily living:
 - 405 (i) eating;
 - 406 (ii) toileting;
 - 407 (iii) transferring;
 - 408 (iv) bathing; or
 - 409 (v) dressing.
- 410 (49) "Disability income insurance" is defined in Subsection [~~(79)~~] (80).
- 411 (50) "Domestic insurer" means an insurer organized under the laws of this state.
- 412 (51) "Domiciliary state" means the state in which an insurer:
- 413 (a) is incorporated;
 - 414 (b) is organized; or
 - 415 (c) in the case of an alien insurer, enters into the United States.
- 416 (52) (a) "Eligible employee" means:
- 417 (i) an employee who:
 - 418 (A) works on a full-time basis; and
 - 419 (B) has a normal work week of 30 or more hours; or
 - 420 (ii) a person described in Subsection (52)(b).
- 421 (b) "Eligible employee" includes, if the individual is included under a health benefit
422 plan of a small employer:
- 423 (i) a sole proprietor;
 - 424 (ii) a partner in a partnership; or
 - 425 (iii) an independent contractor.
- 426 (c) "Eligible employee" does not include, unless eligible under Subsection (52)(b):
- 427 (i) an individual who works on a temporary or substitute basis for a small employer;
 - 428 (ii) an employer's spouse; or

- 429 (iii) a dependent of an employer.
- 430 (53) "Employee" means an individual employed by an employer.
- 431 (54) "Employee benefits" means one or more benefits or services provided to:
- 432 (a) an employee; or
- 433 (b) a dependent of an employee.
- 434 (55) (a) "Employee welfare fund" means a fund:
- 435 (i) established or maintained, whether directly or through a trustee, by:
- 436 (A) one or more employers;
- 437 (B) one or more labor organizations; or
- 438 (C) a combination of employers and labor organizations; and
- 439 (ii) that provides employee benefits paid or contracted to be paid, other than income
- 440 from investments of the fund:
- 441 (A) by or on behalf of an employer doing business in this state; or
- 442 (B) for the benefit of a person employed in this state.
- 443 (b) "Employee welfare fund" includes a plan funded or subsidized by a user fee or tax
- 444 revenues.
- 445 (56) "Endorsement" means a written agreement attached to a policy or certificate to
- 446 modify the policy or certificate coverage.
- 447 (57) "Enrollment date," with respect to a health benefit plan, means:
- 448 (a) the first day of coverage; or
- 449 (b) if there is a waiting period, the first day of the waiting period.
- 450 (58) "Enterprise risk" means an activity, circumstance, event, or series of events
- 451 involving one or more affiliates of an insurer that, if not remedied promptly, is likely to have a
- 452 material adverse effect upon the financial condition or liquidity of the insurer or its insurance
- 453 holding company system as a whole, including anything that would cause:
- 454 (a) the insurer's risk-based capital to fall into an action or control level as set forth in
- 455 Sections 31A-17-601 through 31A-17-613; or
- 456 (b) the insurer to be in hazardous financial condition set forth in Section 31A-27a-101.
- 457 [~~58~~] (59) (a) "Escrow" means:
- 458 (i) a transaction that effects the sale, transfer, encumbering, or leasing of real property,
- 459 when a person not a party to the transaction, and neither having nor acquiring an interest in the

460 title, performs, in accordance with the written instructions or terms of the written agreement
461 between the parties to the transaction, any of the following actions:

462 (A) the explanation, holding, or creation of a document; or

463 (B) the receipt, deposit, and disbursement of money;

464 (ii) a settlement or closing involving:

465 (A) a mobile home;

466 (B) a grazing right;

467 (C) a water right; or

468 (D) other personal property authorized by the commissioner.

469 (b) "Escrow" does not include:

470 (i) the following notarial acts performed by a notary within the state:

471 (A) an acknowledgment;

472 (B) a copy certification;

473 (C) jurat; and

474 (D) an oath or affirmation;

475 (ii) the receipt or delivery of a document; or

476 (iii) the receipt of money for delivery to the escrow agent.

477 [~~59~~] (60) "Escrow agent" means an agency title insurance producer meeting the
478 requirements of Sections 31A-4-107, 31A-14-211, and 31A-23a-204, who is acting through an
479 individual title insurance producer licensed with an escrow subline of authority.

480 [~~60~~] (61) (a) "Excludes" is not exhaustive and does not mean that another thing is not
481 also excluded.

482 (b) The items listed in a list using the term "excludes" are representative examples for
483 use in interpretation of this title.

484 [~~61~~] (62) "Exclusion" means for the purposes of accident and health insurance that an
485 insurer does not provide insurance coverage, for whatever reason, for one of the following:

486 (a) a specific physical condition;

487 (b) a specific medical procedure;

488 (c) a specific disease or disorder; or

489 (d) a specific prescription drug or class of prescription drugs.

490 [~~62~~] (63) "Expense reimbursement insurance" means insurance:

491 (a) written to provide a payment for an expense relating to hospital confinement
492 resulting from illness or injury; and

493 (b) written:

494 (i) as a daily limit for a specific number of days in a hospital; and

495 (ii) to have a one or two day waiting period following a hospitalization.

496 ~~[(63)]~~ (64) "Fidelity insurance" means insurance guaranteeing the fidelity of a person
497 holding a position of public or private trust.

498 ~~[(64)]~~ (65) (a) "Filed" means that a filing is:

499 (i) submitted to the department as required by and in accordance with applicable
500 statute, rule, or filing order;

501 (ii) received by the department within the time period provided in applicable statute,
502 rule, or filing order; and

503 (iii) accompanied by the appropriate fee in accordance with:

504 (A) Section 31A-3-103; or

505 (B) rule.

506 (b) "Filed" does not include a filing that is rejected by the department because it is not
507 submitted in accordance with Subsection ~~[(64)]~~ (65)(a).

508 ~~[(65)]~~ (66) "Filing," when used as a noun, means an item required to be filed with the
509 department including:

510 (a) a policy;

511 (b) a rate;

512 (c) a form;

513 (d) a document;

514 (e) a plan;

515 (f) a manual;

516 (g) an application;

517 (h) a report;

518 (i) a certificate;

519 (j) an endorsement;

520 (k) an actuarial certification;

521 (l) a licensee annual statement;

522 (m) a licensee renewal application;

523 (n) an advertisement; [~~or~~]

524 (o) a binder; or

525 [~~(p)~~] (p) an outline of coverage.

526 [~~(66)~~] (67) "First party insurance" means an insurance policy or contract in which the
527 insurer agrees to pay a claim submitted to it by the insured for the insured's losses.

528 [~~(67)~~] (68) "Foreign insurer" means an insurer domiciled outside of this state, including
529 an alien insurer.

530 [~~(68)~~] (69) (a) "Form" means one of the following prepared for general use:

531 (i) a policy;

532 (ii) a certificate;

533 (iii) an application;

534 (iv) an outline of coverage; or

535 (v) an endorsement.

536 (b) "Form" does not include a document specially prepared for use in an individual
537 case.

538 [~~(69)~~] (70) "Franchise insurance" means an individual insurance policy provided
539 through a mass marketing arrangement involving a defined class of persons related in some
540 way other than through the purchase of insurance.

541 [~~(70)~~] (71) "General lines of authority" include:

542 (a) the general lines of insurance in Subsection [~~(71)~~] (72);

543 (b) title insurance under one of the following sublines of authority:

544 (i) search, including authority to act as a title marketing representative;

545 (ii) escrow, including authority to act as a title marketing representative; and

546 (iii) title marketing representative only;

547 (c) surplus lines;

548 (d) workers' compensation; and

549 (e) another line of insurance that the commissioner considers necessary to recognize in
550 the public interest.

551 [~~(71)~~] (72) "General lines of insurance" include:

552 (a) accident and health;

- 553 (b) casualty;
- 554 (c) life;
- 555 (d) personal lines;
- 556 (e) property; and
- 557 (f) variable contracts, including variable life and annuity.

558 [~~(72)~~] (73) "Group health plan" means an employee welfare benefit plan to the extent
559 that the plan provides medical care:

- 560 (a) (i) to an employee; or
- 561 (ii) to a dependent of an employee; and
- 562 (b) (i) directly;
- 563 (ii) through insurance reimbursement; or
- 564 (iii) through another method.

565 [~~(73)~~] (74) (a) "Group insurance policy" means a policy covering a group of persons
566 that is issued:

- 567 (i) to a policyholder on behalf of the group; and
- 568 (ii) for the benefit of a member of the group who is selected under a procedure defined
569 in:
- 570 (A) the policy; or
- 571 (B) an agreement that is collateral to the policy.

572 (b) A group insurance policy may include a member of the policyholder's family or a
573 dependent.

574 [~~(74)~~] (75) "Guaranteed automobile protection insurance" means insurance offered in
575 connection with an extension of credit that pays the difference in amount between the
576 insurance settlement and the balance of the loan if the insured automobile is a total loss.

577 [~~(75)~~] (76) (a) Except as provided in Subsection [~~(75)~~] (76)(b), "health benefit plan"
578 means a policy or certificate that:

- 579 (i) provides health care insurance;
- 580 (ii) provides major medical expense insurance; or
- 581 (iii) is offered as a substitute for hospital or medical expense insurance, such as:
582 (A) a hospital confinement indemnity; or
583 (B) a limited benefit plan.

584 (b) "Health benefit plan" does not include a policy or certificate that:

585 (i) provides benefits solely for:

586 (A) accident;

587 (B) dental;

588 (C) income replacement;

589 (D) long-term care;

590 (E) a Medicare supplement;

591 (F) a specified disease;

592 (G) vision; or

593 (H) a short-term limited duration; or

594 (ii) is offered and marketed as supplemental health insurance.

595 [~~76~~] (77) "Health care" means any of the following intended for use in the diagnosis,

596 treatment, mitigation, or prevention of a human ailment or impairment:

597 (a) a professional service;

598 (b) a personal service;

599 (c) a facility;

600 (d) equipment;

601 (e) a device;

602 (f) supplies; or

603 (g) medicine.

604 [~~77~~] (78) (a) "Health care insurance" or "health insurance" means insurance

605 providing:

606 (i) a health care benefit; or

607 (ii) payment of an incurred health care expense.

608 (b) "Health care insurance" or "health insurance" does not include accident and health

609 insurance providing a benefit for:

610 (i) replacement of income;

611 (ii) short-term accident;

612 (iii) fixed indemnity;

613 (iv) credit accident and health;

614 (v) supplements to liability;

- 615 (vi) workers' compensation;
616 (vii) automobile medical payment;
617 (viii) no-fault automobile;
618 (ix) equivalent self-insurance; or
619 (x) a type of accident and health insurance coverage that is a part of or attached to
620 another type of policy.

621 [~~(78)~~] (79) "Health Insurance Portability and Accountability Act" means the Health
622 Insurance Portability and Accountability Act of 1996, Pub. L. 104-191, 110 Stat. 1936, as
623 amended.

624 [~~(79)~~] (80) "Income replacement insurance" or "disability income insurance" means
625 insurance written to provide payments to replace income lost from accident or sickness.

626 [~~(80)~~] (81) "Indemnity" means the payment of an amount to offset all or part of an
627 insured loss.

628 [~~(81)~~] (82) "Independent adjuster" means an insurance adjuster required to be licensed
629 under Section 31A-26-201 who engages in insurance adjusting as a representative of an insurer.

630 [~~(82)~~] (83) "Independently procured insurance" means insurance procured under
631 Section 31A-15-104.

632 [~~(83)~~] (84) "Individual" means a natural person.

633 [~~(84)~~] (85) "Inland marine insurance" includes insurance covering:

- 634 (a) property in transit on or over land;
635 (b) property in transit over water by means other than boat or ship;
636 (c) bailee liability;
637 (d) fixed transportation property such as bridges, electric transmission systems, radio
638 and television transmission towers and tunnels; and
639 (e) personal and commercial property floaters.

640 [~~(85)~~] (86) "Insolvency" means that:

- 641 (a) an insurer is unable to pay its debts or meet its obligations as the debts and
642 obligations mature;
643 (b) an insurer's total adjusted capital is less than the insurer's mandatory control level
644 RBC under Subsection 31A-17-601(8)(c); or
645 (c) an insurer is determined to be hazardous under this title.

646 [~~(86)~~] (87) (a) "Insurance" means:

647 (i) an arrangement, contract, or plan for the transfer of a risk or risks from one or more
648 persons to one or more other persons; or

649 (ii) an arrangement, contract, or plan for the distribution of a risk or risks among a
650 group of persons that includes the person seeking to distribute that person's risk.

651 (b) "Insurance" includes:

652 (i) a risk distributing arrangement providing for compensation or replacement for
653 damages or loss through the provision of a service or a benefit in kind;

654 (ii) a contract of guaranty or suretyship entered into by the guarantor or surety as a
655 business and not as merely incidental to a business transaction; and

656 (iii) a plan in which the risk does not rest upon the person who makes an arrangement,
657 but with a class of persons who have agreed to share the risk.

658 [~~(87)~~] (88) "Insurance adjuster" means a person who directs or conducts the
659 investigation, negotiation, or settlement of a claim under an insurance policy other than life
660 insurance or an annuity, on behalf of an insurer, policyholder, or a claimant under an insurance
661 policy.

662 [~~(88)~~] (89) "Insurance business" or "business of insurance" includes:

663 (a) providing health care insurance by an organization that is or is required to be
664 licensed under this title;

665 (b) providing a benefit to an employee in the event of a contingency not within the
666 control of the employee, in which the employee is entitled to the benefit as a right, which
667 benefit may be provided either:

668 (i) by a single employer or by multiple employer groups; or

669 (ii) through one or more trusts, associations, or other entities;

670 (c) providing an annuity:

671 (i) including an annuity issued in return for a gift; and

672 (ii) except an annuity provided by a person specified in Subsections [31A-22-1305\(2\)](#)

673 and (3);

674 (d) providing the characteristic services of a motor club as outlined in Subsection

675 [~~(116)~~] (117);

676 (e) providing another person with insurance;

677 (f) making as insurer, guarantor, or surety, or proposing to make as insurer, guarantor,
678 or surety, a contract or policy of title insurance;

679 (g) transacting or proposing to transact any phase of title insurance, including:

680 (i) solicitation;

681 (ii) negotiation preliminary to execution;

682 (iii) execution of a contract of title insurance;

683 (iv) insuring; and

684 (v) transacting matters subsequent to the execution of the contract and arising out of
685 the contract, including reinsurance;

686 (h) transacting or proposing a life settlement; and

687 (i) doing, or proposing to do, any business in substance equivalent to Subsections

688 ~~[(88)]~~ (89)(a) through (h) in a manner designed to evade this title.

689 ~~[(89)]~~ (90) "Insurance consultant" or "consultant" means a person who:

690 (a) advises another person about insurance needs and coverages;

691 (b) is compensated by the person advised on a basis not directly related to the insurance
692 placed; and

693 (c) except as provided in Section 31A-23a-501, is not compensated directly or
694 indirectly by an insurer or producer for advice given.

695 ~~[(90)]~~ (91) "Insurance holding company system" means a group of two or more
696 affiliated persons, at least one of whom is an insurer.

697 ~~[(91)]~~ (92) (a) "Insurance producer" or "producer" means a person licensed or required
698 to be licensed under the laws of this state to sell, solicit, or negotiate insurance.

699 (b) (i) "Producer for the insurer" means a producer who is compensated directly or
700 indirectly by an insurer for selling, soliciting, or negotiating an insurance product of that
701 insurer.

702 (ii) "Producer for the insurer" may be referred to as an "agent."

703 (c) (i) "Producer for the insured" means a producer who:

704 (A) is compensated directly and only by an insurance customer or an insured; and

705 (B) receives no compensation directly or indirectly from an insurer for selling,
706 soliciting, or negotiating an insurance product of that insurer to an insurance customer or
707 insured.

708 (ii) "Producer for the insured" may be referred to as a "broker."

709 [~~92~~] (93) (a) "Insured" means a person to whom or for whose benefit an insurer

710 makes a promise in an insurance policy and includes:

711 (i) a policyholder;

712 (ii) a subscriber;

713 (iii) a member; and

714 (iv) a beneficiary.

715 (b) The definition in Subsection [~~92~~] (93)(a):

716 (i) applies only to this title; and

717 (ii) does not define the meaning of this word as used in an insurance policy or

718 certificate.

719 [~~93~~] (94) (a) "Insurer" means a person doing an insurance business as a principal

720 including:

721 (i) a fraternal benefit society;

722 (ii) an issuer of a gift annuity other than an annuity specified in Subsections

723 31A-22-1305(2) and (3);

724 (iii) a motor club;

725 (iv) an employee welfare plan; and

726 (v) a person purporting or intending to do an insurance business as a principal on that

727 person's own account.

728 (b) "Insurer" does not include a governmental entity to the extent the governmental

729 entity is engaged in an activity described in Section 31A-12-107.

730 [~~94~~] (95) "Interinsurance exchange" is defined in Subsection [~~147~~] (148).

731 [~~95~~] (96) "Involuntary unemployment insurance" means insurance:

732 (a) offered in connection with an extension of credit; and

733 (b) that provides indemnity if the debtor is involuntarily unemployed for payments

734 coming due on a:

735 (i) specific loan; or

736 (ii) credit transaction.

737 [~~96~~] (97) "Large employer," in connection with a health benefit plan, means an

738 employer who, with respect to a calendar year and to a plan year:

739 (a) employed an average of at least 51 eligible employees on each business day during
740 the preceding calendar year; and

741 (b) employs at least two employees on the first day of the plan year.

742 [~~97~~] (98) "Late enrollee," with respect to an employer health benefit plan, means an
743 individual whose enrollment is a late enrollment.

744 [~~98~~] (99) "Late enrollment," with respect to an employer health benefit plan, means
745 enrollment of an individual other than:

746 (a) on the earliest date on which coverage can become effective for the individual
747 under the terms of the plan; or

748 (b) through special enrollment.

749 [~~99~~] (100) (a) Except for a retainer contract or legal assistance described in Section
750 31A-1-103, "legal expense insurance" means insurance written to indemnify or pay for a
751 specified legal expense.

752 (b) "Legal expense insurance" includes an arrangement that creates a reasonable
753 expectation of an enforceable right.

754 (c) "Legal expense insurance" does not include the provision of, or reimbursement for,
755 legal services incidental to other insurance coverage.

756 [~~100~~] (101) (a) "Liability insurance" means insurance against liability:

757 (i) for death, injury, or disability of a human being, or for damage to property,
758 exclusive of the coverages under:

759 (A) Subsection [~~110~~] (111) for medical malpractice insurance;

760 (B) Subsection [~~138~~] (139) for professional liability insurance; and

761 (C) Subsection [~~173~~] (175) for workers' compensation insurance;

762 (ii) for a medical, hospital, surgical, and funeral benefit to a person other than the
763 insured who is injured, irrespective of legal liability of the insured, when issued with or
764 supplemental to insurance against legal liability for the death, injury, or disability of a human
765 being, exclusive of the coverages under:

766 (A) Subsection [~~110~~] (111) for medical malpractice insurance;

767 (B) Subsection [~~138~~] (139) for professional liability insurance; and

768 (C) Subsection [~~173~~] (175) for workers' compensation insurance;

769 (iii) for loss or damage to property resulting from an accident to or explosion of a

770 boiler, pipe, pressure container, machinery, or apparatus;
771 (iv) for loss or damage to property caused by:
772 (A) the breakage or leakage of a sprinkler, water pipe, or water container; or
773 (B) water entering through a leak or opening in a building; or
774 (v) for other loss or damage properly the subject of insurance not within another kind
775 of insurance as defined in this chapter, if the insurance is not contrary to law or public policy.

776 (b) "Liability insurance" includes:
777 (i) vehicle liability insurance;
778 (ii) residential dwelling liability insurance; and
779 (iii) making inspection of, and issuing a certificate of inspection upon, an elevator,
780 boiler, machinery, or apparatus of any kind when done in connection with insurance on the
781 elevator, boiler, machinery, or apparatus.

782 [~~(101)~~] (102) (a) "License" means authorization issued by the commissioner to engage
783 in an activity that is part of or related to the insurance business.

784 (b) "License" includes a certificate of authority issued to an insurer.

785 [~~(102)~~] (103) (a) "Life insurance" means:

786 (i) insurance on a human life; and
787 (ii) insurance pertaining to or connected with human life.

788 (b) The business of life insurance includes:

789 (i) granting a death benefit;
790 (ii) granting an annuity benefit;
791 (iii) granting an endowment benefit;
792 (iv) granting an additional benefit in the event of death by accident;
793 (v) granting an additional benefit to safeguard the policy against lapse; and
794 (vi) providing an optional method of settlement of proceeds.

795 [~~(103)~~] (104) "Limited license" means a license that:

796 (a) is issued for a specific product of insurance; and
797 (b) limits an individual or agency to transact only for that product or insurance.

798 [~~(104)~~] (105) "Limited line credit insurance" includes the following forms of
799 insurance:

800 (a) credit life;

- 801 (b) credit accident and health;
- 802 (c) credit property;
- 803 (d) credit unemployment;
- 804 (e) involuntary unemployment;
- 805 (f) mortgage life;
- 806 (g) mortgage guaranty;
- 807 (h) mortgage accident and health;
- 808 (i) guaranteed automobile protection; and
- 809 (j) another form of insurance offered in connection with an extension of credit that:
- 810 (i) is limited to partially or wholly extinguishing the credit obligation; and
- 811 (ii) the commissioner determines by rule should be designated as a form of limited line
- 812 credit insurance.

813 [~~(105)~~] (106) "Limited line credit insurance producer" means a person who sells,
814 solicits, or negotiates one or more forms of limited line credit insurance coverage to an
815 individual through a master, corporate, group, or individual policy.

816 [~~(106)~~] (107) "Limited line insurance" includes:

- 817 (a) bail bond;
- 818 (b) limited line credit insurance;
- 819 (c) legal expense insurance;
- 820 (d) motor club insurance;
- 821 (e) car rental related insurance;
- 822 (f) travel insurance;
- 823 (g) crop insurance;
- 824 (h) self-service storage insurance;
- 825 (i) guaranteed asset protection waiver;
- 826 (j) portable electronics insurance; and
- 827 (k) another form of limited insurance that the commissioner determines by rule should
- 828 be designated a form of limited line insurance.

829 [~~(107)~~] (108) "Limited lines authority" includes the lines of insurance listed in
830 Subsection [~~(106)~~] (107).

831 [~~(108)~~] (109) "Limited lines producer" means a person who sells, solicits, or negotiates

832 limited lines insurance.

833 ~~[(109)]~~ (110) (a) "Long-term care insurance" means an insurance policy or rider
834 advertised, marketed, offered, or designated to provide coverage:

835 (i) in a setting other than an acute care unit of a hospital;

836 (ii) for not less than 12 consecutive months for a covered person on the basis of:

837 (A) expenses incurred;

838 (B) indemnity;

839 (C) prepayment; or

840 (D) another method;

841 (iii) for one or more necessary or medically necessary services that are:

842 (A) diagnostic;

843 (B) preventative;

844 (C) therapeutic;

845 (D) rehabilitative;

846 (E) maintenance; or

847 (F) personal care; and

848 (iv) that may be issued by:

849 (A) an insurer;

850 (B) a fraternal benefit society;

851 (C) (I) a nonprofit health hospital; and

852 (II) a medical service corporation;

853 (D) a prepaid health plan;

854 (E) a health maintenance organization; or

855 (F) an entity similar to the entities described in Subsections ~~[(109)]~~ (110)(a)(iv)(A)

856 through (E) to the extent that the entity is otherwise authorized to issue life or health care
857 insurance.

858 (b) "Long-term care insurance" includes:

859 (i) any of the following that provide directly or supplement long-term care insurance:

860 (A) a group or individual annuity or rider; or

861 (B) a life insurance policy or rider;

862 (ii) a policy or rider that provides for payment of benefits on the basis of:

- 863 (A) cognitive impairment; or
- 864 (B) functional capacity; or
- 865 (iii) a qualified long-term care insurance contract.
- 866 (c) "Long-term care insurance" does not include:
- 867 (i) a policy that is offered primarily to provide basic Medicare supplement coverage;
- 868 (ii) basic hospital expense coverage;
- 869 (iii) basic medical/surgical expense coverage;
- 870 (iv) hospital confinement indemnity coverage;
- 871 (v) major medical expense coverage;
- 872 (vi) income replacement or related asset-protection coverage;
- 873 (vii) accident only coverage;
- 874 (viii) coverage for a specified:
 - 875 (A) disease; or
 - 876 (B) accident;
 - 877 (ix) limited benefit health coverage; or
 - 878 (x) a life insurance policy that accelerates the death benefit to provide the option of a
 - 879 lump sum payment:
 - 880 (A) if the following are not conditioned on the receipt of long-term care:
 - 881 (I) benefits; or
 - 882 (II) eligibility; and
 - 883 (B) the coverage is for one or more the following qualifying events:
 - 884 (I) terminal illness;
 - 885 (II) medical conditions requiring extraordinary medical intervention; or
 - 886 (III) permanent institutional confinement.
 - 887 [~~(H0)~~] (111) "Medical malpractice insurance" means insurance against legal liability
 - 888 incident to the practice and provision of a medical service other than the practice and provision
 - 889 of a dental service.
 - 890 [~~(H1)~~] (112) "Member" means a person having membership rights in an insurance
 - 891 corporation.
 - 892 [~~(H2)~~] (113) "Minimum capital" or "minimum required capital" means the capital that
 - 893 must be constantly maintained by a stock insurance corporation as required by statute.

894 ~~[(113)]~~ (114) "Mortgage accident and health insurance" means insurance offered in
895 connection with an extension of credit that provides indemnity for payments coming due on a
896 mortgage while the debtor has a disability.

897 ~~[(114)]~~ (115) "Mortgage guaranty insurance" means surety insurance under which a
898 mortgagee or other creditor is indemnified against losses caused by the default of a debtor.

899 ~~[(115)]~~ (116) "Mortgage life insurance" means insurance on the life of a debtor in
900 connection with an extension of credit that pays if the debtor dies.

901 ~~[(116)]~~ (117) "Motor club" means a person:

902 (a) licensed under:

903 (i) Chapter 5, Domestic Stock and Mutual Insurance Corporations;

904 (ii) Chapter 11, Motor Clubs; or

905 (iii) Chapter 14, Foreign Insurers; and

906 (b) that promises for an advance consideration to provide for a stated period of time
907 one or more:

908 (i) legal services under Subsection [31A-11-102\(1\)\(b\)](#);

909 (ii) bail services under Subsection [31A-11-102\(1\)\(c\)](#); or

910 (iii) (A) trip reimbursement;

911 (B) towing services;

912 (C) emergency road services;

913 (D) stolen automobile services;

914 (E) a combination of the services listed in Subsections ~~[(117)]~~ (117)(b)(iii)(A) through
915 (D); or

916 (F) other services given in Subsections [31A-11-102\(1\)\(b\)](#) through (f).

917 ~~[(117)]~~ (118) "Mutual" means a mutual insurance corporation.

918 ~~[(118)]~~ (119) "Network plan" means health care insurance:

919 (a) that is issued by an insurer; and

920 (b) under which the financing and delivery of medical care is provided, in whole or in
921 part, through a defined set of providers under contract with the insurer, including the financing
922 and delivery of an item paid for as medical care.

923 ~~[(119)]~~ (120) "Nonparticipating" means a plan of insurance under which the insured is
924 not entitled to receive a dividend representing a share of the surplus of the insurer.

925 ~~[(120)]~~ (121) "Ocean marine insurance" means insurance against loss of or damage to:

926 (a) ships or hulls of ships;

927 (b) goods, freight, cargoes, merchandise, effects, disbursements, profits, money,

928 securities, choses in action, evidences of debt, valuable papers, bottomry, respondentia

929 interests, or other cargoes in or awaiting transit over the oceans or inland waterways;

930 (c) earnings such as freight, passage money, commissions, or profits derived from

931 transporting goods or people upon or across the oceans or inland waterways; or

932 (d) a vessel owner or operator as a result of liability to employees, passengers, bailors,

933 owners of other vessels, owners of fixed objects, customs or other authorities, or other persons

934 in connection with maritime activity.

935 ~~[(121)]~~ (122) "Order" means an order of the commissioner.

936 ~~[(122)]~~ (123) "Outline of coverage" means a summary that explains an accident and

937 health insurance policy.

938 ~~[(123)]~~ (124) "Participating" means a plan of insurance under which the insured is

939 entitled to receive a dividend representing a share of the surplus of the insurer.

940 ~~[(124)]~~ (125) "Participation," as used in a health benefit plan, means a requirement

941 relating to the minimum percentage of eligible employees that must be enrolled in relation to

942 the total number of eligible employees of an employer reduced by each eligible employee who

943 voluntarily declines coverage under the plan because the employee:

944 (a) has other group health care insurance coverage; or

945 (b) receives:

946 (i) Medicare, under the Health Insurance for the Aged Act, Title XVIII of the Social

947 Security Amendments of 1965; or

948 (ii) another government health benefit.

949 ~~[(125)]~~ (126) "Person" includes:

950 (a) an individual;

951 (b) a partnership;

952 (c) a corporation;

953 (d) an incorporated or unincorporated association;

954 (e) a joint stock company;

955 (f) a trust;

- 956 (g) a limited liability company;
- 957 (h) a reciprocal;
- 958 (i) a syndicate; or
- 959 (j) another similar entity or combination of entities acting in concert.
- 960 [~~(126)~~] (127) "Personal lines insurance" means property and casualty insurance
- 961 coverage sold for primarily noncommercial purposes to:
 - 962 (a) an individual; or
 - 963 (b) a family.
- 964 [~~(127)~~] (128) "Plan sponsor" is as defined in 29 U.S.C. Sec. 1002(16)(B).
- 965 [~~(128)~~] (129) "Plan year" means:
 - 966 (a) the year that is designated as the plan year in:
 - 967 (i) the plan document of a group health plan; or
 - 968 (ii) a summary plan description of a group health plan;
 - 969 (b) if the plan document or summary plan description does not designate a plan year or
 - 970 there is no plan document or summary plan description:
 - 971 (i) the year used to determine deductibles or limits;
 - 972 (ii) the policy year, if the plan does not impose deductibles or limits on a yearly basis;
- 973 or
 - 974 (iii) the employer's taxable year if:
 - 975 (A) the plan does not impose deductibles or limits on a yearly basis; and
 - 976 (B) (I) the plan is not insured; or
 - 977 (II) the insurance policy is not renewed on an annual basis; or
 - 978 (c) in a case not described in Subsection [~~(128)~~] (129)(a) or (b), the calendar year.
- 979 [~~(129)~~] (130) (a) "Policy" means a document, including an attached endorsement or
- 980 application that:
 - 981 (i) purports to be an enforceable contract; and
 - 982 (ii) memorializes in writing some or all of the terms of an insurance contract.
- 983 (b) "Policy" includes a service contract issued by:
 - 984 (i) a motor club under Chapter 11, Motor Clubs;
 - 985 (ii) a service contract provided under Chapter 6a, Service Contracts; and
 - 986 (iii) a corporation licensed under:

987 (A) Chapter 7, Nonprofit Health Service Insurance Corporations; or

988 (B) Chapter 8, Health Maintenance Organizations and Limited Health Plans.

989 (c) "Policy" does not include:

990 (i) a certificate under a group insurance contract; or

991 (ii) a document that does not purport to have legal effect.

992 [~~(130)~~] (131) "Policyholder" means a person who controls a policy, binder, or oral
993 contract by ownership, premium payment, or otherwise.

994 [~~(131)~~] (132) "Policy illustration" means a presentation or depiction that includes
995 nonguaranteed elements of a policy of life insurance over a period of years.

996 [~~(132)~~] (133) "Policy summary" means a synopsis describing the elements of a life
997 insurance policy.

998 [~~(133)~~] (134) "PPACA" means the Patient Protection and Affordable Care Act, Pub. L.
999 No. 111-148 and the Health Care Education Reconciliation Act of 2010, Pub. L. No. 111-152,
1000 and related federal regulations and guidance.

1001 [~~(134)~~] (135) "Preexisting condition," with respect to a health benefit plan:

1002 (a) means a condition that was present before the effective date of coverage, whether or
1003 not medical advice, diagnosis, care, or treatment was recommended or received before that day,
1004 and

1005 (b) does not include a condition indicated by genetic information unless an actual
1006 diagnosis of the condition by a physician has been made.

1007 [~~(135)~~] (136) (a) "Premium" means the monetary consideration for an insurance policy.

1008 (b) "Premium" includes, however designated:

1009 (i) an assessment;

1010 (ii) a membership fee;

1011 (iii) a required contribution; or

1012 (iv) monetary consideration.

1013 (c) (i) "Premium" does not include consideration paid to a third party administrator for
1014 the third party administrator's services.

1015 (ii) "Premium" includes an amount paid by a third party administrator to an insurer for
1016 insurance on the risks administered by the third party administrator.

1017 [~~(136)~~] (137) "Principal officers" for a corporation means the officers designated under

1018 Subsection 31A-5-203(3).

1019 [~~(137)~~] (138) "Proceeding" includes an action or special statutory proceeding.

1020 [~~(138)~~] (139) "Professional liability insurance" means insurance against legal liability
1021 incident to the practice of a profession and provision of a professional service.

1022 [~~(139)~~] (140) (a) Except as provided in Subsection [~~(139)~~] (140)(b), "property
1023 insurance" means insurance against loss or damage to real or personal property of every kind
1024 and any interest in that property:

1025 (i) from all hazards or causes; and

1026 (ii) against loss consequential upon the loss or damage including vehicle
1027 comprehensive and vehicle physical damage coverages.

1028 (b) "Property insurance" does not include:

1029 (i) inland marine insurance; and

1030 (ii) ocean marine insurance.

1031 [~~(140)~~] (141) "Qualified long-term care insurance contract" or "federally tax qualified
1032 long-term care insurance contract" means:

1033 (a) an individual or group insurance contract that meets the requirements of Section
1034 7702B(b), Internal Revenue Code; or

1035 (b) the portion of a life insurance contract that provides long-term care insurance:

1036 (i) (A) by rider; or

1037 (B) as a part of the contract; and

1038 (ii) that satisfies the requirements of Sections 7702B(b) and (e), Internal Revenue
1039 Code.

1040 [~~(141)~~] (142) "Qualified United States financial institution" means an institution that:

1041 (a) is:

1042 (i) organized under the laws of the United States or any state; or

1043 (ii) in the case of a United States office of a foreign banking organization, licensed
1044 under the laws of the United States or any state;

1045 (b) is regulated, supervised, and examined by a United States federal or state authority
1046 having regulatory authority over a bank or trust company; and

1047 (c) meets the standards of financial condition and standing that are considered
1048 necessary and appropriate to regulate the quality of a financial institution whose letters of credit

1049 will be acceptable to the commissioner as determined by:

1050 (i) the commissioner by rule; or

1051 (ii) the Securities Valuation Office of the National Association of Insurance

1052 Commissioners.

1053 [~~(142)~~] (143) (a) "Rate" means:

1054 (i) the cost of a given unit of insurance; or

1055 (ii) for property or casualty insurance, that cost of insurance per exposure unit either
1056 expressed as:

1057 (A) a single number; or

1058 (B) a pure premium rate, adjusted before the application of individual risk variations

1059 based on loss or expense considerations to account for the treatment of:

1060 (I) expenses;

1061 (II) profit; and

1062 (III) individual insurer variation in loss experience.

1063 (b) "Rate" does not include a minimum premium.

1064 [~~(143)~~] (144) (a) Except as provided in Subsection [~~(143)~~] (144)(b), "rate service
1065 organization" means a person who assists an insurer in rate making or filing by:

1066 (i) collecting, compiling, and furnishing loss or expense statistics;

1067 (ii) recommending, making, or filing rates or supplementary rate information; or

1068 (iii) advising about rate questions, except as an attorney giving legal advice.

1069 (b) "Rate service organization" does not mean:

1070 (i) an employee of an insurer;

1071 (ii) a single insurer or group of insurers under common control;

1072 (iii) a joint underwriting group; or

1073 (iv) an individual serving as an actuarial or legal consultant.

1074 [~~(144)~~] (145) "Rating manual" means any of the following used to determine initial and
1075 renewal policy premiums:

1076 (a) a manual of rates;

1077 (b) a classification;

1078 (c) a rate-related underwriting rule; and

1079 (d) a rating formula that describes steps, policies, and procedures for determining

1080 initial and renewal policy premiums.

1081 [~~(145)~~] (146) (a) "Rebate" means a licensee paying, allowing, giving, or offering to
1082 pay, allow, or give, directly or indirectly:

1083 (i) a refund of premium or portion of premium;

1084 (ii) a refund of commission or portion of commission;

1085 (iii) a refund of all or a portion of a consultant fee; or

1086 (iv) providing services or other benefits not specified in an insurance or annuity
1087 contract.

1088 (b) "Rebate" does not include:

1089 (i) a refund due to termination or changes in coverage;

1090 (ii) a refund due to overcharges made in error by the licensee; or

1091 (iii) savings or wellness benefits as provided in the contract by the licensee.

1092 [~~(146)~~] (147) "Received by the department" means:

1093 (a) the date delivered to and stamped received by the department, if delivered in
1094 person;

1095 (b) the post mark date, if delivered by mail;

1096 (c) the delivery service's post mark or pickup date, if delivered by a delivery service;

1097 (d) the received date recorded on an item delivered, if delivered by:

1098 (i) facsimile;

1099 (ii) email; or

1100 (iii) another electronic method; or

1101 (e) a date specified in:

1102 (i) a statute;

1103 (ii) a rule; or

1104 (iii) an order.

1105 [~~(147)~~] (148) "Reciprocal" or "interinsurance exchange" means an unincorporated
1106 association of persons:

1107 (a) operating through an attorney-in-fact common to all of the persons; and

1108 (b) exchanging insurance contracts with one another that provide insurance coverage
1109 on each other.

1110 [~~(148)~~] (149) "Reinsurance" means an insurance transaction where an insurer, for

1111 consideration, transfers any portion of the risk it has assumed to another insurer. In referring to
1112 reinsurance transactions, this title sometimes refers to:

1113 (a) the insurer transferring the risk as the "ceding insurer"; and

1114 (b) the insurer assuming the risk as the:

1115 (i) "assuming insurer"; or

1116 (ii) "assuming reinsurer."

1117 [~~(149)~~] (150) "Reinsurer" means a person licensed in this state as an insurer with the
1118 authority to assume reinsurance.

1119 [~~(150)~~] (151) "Residential dwelling liability insurance" means insurance against
1120 liability resulting from or incident to the ownership, maintenance, or use of a residential
1121 dwelling that is a detached single family residence or multifamily residence up to four units.

1122 [~~(151)~~] (152) (a) "Retrocession" means reinsurance with another insurer of a liability
1123 assumed under a reinsurance contract.

1124 (b) A reinsurer "retrocedes" when the reinsurer reinsures with another insurer part of a
1125 liability assumed under a reinsurance contract.

1126 [~~(152)~~] (153) "Rider" means an endorsement to:

1127 (a) an insurance policy; or

1128 (b) an insurance certificate.

1129 [~~(153)~~] (154) (a) "Security" means a:

1130 (i) note;

1131 (ii) stock;

1132 (iii) bond;

1133 (iv) debenture;

1134 (v) evidence of indebtedness;

1135 (vi) certificate of interest or participation in a profit-sharing agreement;

1136 (vii) collateral-trust certificate;

1137 (viii) preorganization certificate or subscription;

1138 (ix) transferable share;

1139 (x) investment contract;

1140 (xi) voting trust certificate;

1141 (xii) certificate of deposit for a security;

1142 (xiii) certificate of interest of participation in an oil, gas, or mining title or lease or in
1143 payments out of production under such a title or lease;

1144 (xiv) commodity contract or commodity option;

1145 (xv) certificate of interest or participation in, temporary or interim certificate for,
1146 receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the items listed
1147 in Subsections [~~(153)~~] (154)(a)(i) through (xiv); or

1148 (xvi) another interest or instrument commonly known as a security.

1149 (b) "Security" does not include:

1150 (i) any of the following under which an insurance company promises to pay money in a
1151 specific lump sum or periodically for life or some other specified period:

1152 (A) insurance;

1153 (B) an endowment policy; or

1154 (C) an annuity contract; or

1155 (ii) a burial certificate or burial contract.

1156 (155) "Securityholder" means a specified person who owns a security of a person,
1157 including:

1158 (a) common stock;

1159 (b) preferred stock;

1160 (c) debt obligations; and

1161 (d) any other security convertible into or evidencing the right of any of the items listed
1162 in this Subsection (155).

1163 [~~(154)~~] (156) "Secondary medical condition" means a complication related to an
1164 exclusion from coverage in accident and health insurance.

1165 [~~(155)~~] (157) (a) "Self-insurance" means an arrangement under which a person
1166 provides for spreading its own risks by a systematic plan.

1167 (b) Except as provided in this Subsection [~~(155)~~] (157), "self-insurance" does not
1168 include an arrangement under which a number of persons spread their risks among themselves.

1169 (c) "Self-insurance" includes:

1170 (i) an arrangement by which a governmental entity undertakes to indemnify an
1171 employee for liability arising out of the employee's employment; and

1172 (ii) an arrangement by which a person with a managed program of self-insurance and

1173 risk management undertakes to indemnify its affiliates, subsidiaries, directors, officers, or
1174 employees for liability or risk that is related to the relationship or employment.

1175 (d) "Self-insurance" does not include an arrangement with an independent contractor.

1176 [~~(156)~~] (158) "Sell" means to exchange a contract of insurance:

1177 (a) by any means;

1178 (b) for money or its equivalent; and

1179 (c) on behalf of an insurance company.

1180 [~~(157)~~] (159) "Short-term care insurance" means an insurance policy or rider

1181 advertised, marketed, offered, or designed to provide coverage that is similar to long-term care
1182 insurance, but that provides coverage for less than 12 consecutive months for each covered
1183 person.

1184 [~~(158)~~] (160) "Significant break in coverage" means a period of 63 consecutive days
1185 during each of which an individual does not have creditable coverage.

1186 [~~(159)~~] (161) "Small employer" means, in connection with a health benefit plan and
1187 with respect to a calendar year and to a plan year, an employer who:

1188 (a) employed at least one employee but not more than an average of 50 eligible
1189 employees on business days during the preceding calendar year; and

1190 (b) employs at least one employee on the first day of the plan year.

1191 [~~(160)~~] (162) "Special enrollment period," in connection with a health benefit plan, has
1192 the same meaning as provided in federal regulations adopted pursuant to the Health Insurance
1193 Portability and Accountability Act.

1194 [~~(161)~~] (163) (a) "Subsidiary" of a person means an affiliate controlled by that person
1195 either directly or indirectly through one or more affiliates or intermediaries.

1196 (b) "Wholly owned subsidiary" of a person is a subsidiary of which all of the voting
1197 shares are owned by that person either alone or with its affiliates, except for the minimum
1198 number of shares the law of the subsidiary's domicile requires to be owned by directors or
1199 others.

1200 [~~(162)~~] (164) Subject to Subsection [~~(86)~~] (87)(b), "surety insurance" includes:

1201 (a) a guarantee against loss or damage resulting from the failure of a principal to pay or
1202 perform the principal's obligations to a creditor or other obligee;

1203 (b) bail bond insurance; and

1204 (c) fidelity insurance.

1205 [~~(163)~~] (165) (a) "Surplus" means the excess of assets over the sum of paid-in capital
1206 and liabilities.

1207 (b) (i) "Permanent surplus" means the surplus of an insurer or organization that is
1208 designated by the insurer or organization as permanent.

1209 (ii) Sections 31A-5-211, 31A-7-201, 31A-8-209, 31A-9-209, and 31A-14-205 require
1210 that insurers or organizations doing business in this state maintain specified minimum levels of
1211 permanent surplus.

1212 (iii) Except for assessable mutuals, the minimum permanent surplus requirement is the
1213 same as the minimum required capital requirement that applies to stock insurers.

1214 (c) "Excess surplus" means:

1215 (i) for a life insurer, accident and health insurer, health organization, or property and
1216 casualty insurer as defined in Section 31A-17-601, the lesser of:

1217 (A) that amount of an insurer's or health organization's total adjusted capital that
1218 exceeds the product of:

1219 (I) 2.5; and

1220 (II) the sum of the insurer's or health organization's minimum capital or permanent
1221 surplus required under Section 31A-5-211, 31A-9-209, or 31A-14-205; or

1222 (B) that amount of an insurer's or health organization's total adjusted capital that
1223 exceeds the product of:

1224 (I) 3.0; and

1225 (II) the authorized control level RBC as defined in Subsection 31A-17-601(8)(a); and

1226 (ii) for a monoline mortgage guaranty insurer, financial guaranty insurer, or title insurer
1227 that amount of an insurer's paid-in-capital and surplus that exceeds the product of:

1228 (A) 1.5; and

1229 (B) the insurer's total adjusted capital required by Subsection 31A-17-609(1).

1230 [~~(164)~~] (166) "Third party administrator" or "administrator" means a person who
1231 collects charges or premiums from, or who, for consideration, adjusts or settles claims of
1232 residents of the state in connection with insurance coverage, annuities, or service insurance
1233 coverage, except:

1234 (a) a union on behalf of its members;

- 1235 (b) a person administering a:
- 1236 (i) pension plan subject to the federal Employee Retirement Income Security Act of
1237 1974;
- 1238 (ii) governmental plan as defined in Section 414(d), Internal Revenue Code; or
- 1239 (iii) nonelecting church plan as described in Section 410(d), Internal Revenue Code;
- 1240 (c) an employer on behalf of the employer's employees or the employees of one or
1241 more of the subsidiary or affiliated corporations of the employer;
- 1242 (d) an insurer licensed under the following, but only for a line of insurance for which
1243 the insurer holds a license in this state:
- 1244 (i) Chapter 5, Domestic Stock and Mutual Insurance Corporations;
- 1245 (ii) Chapter 7, Nonprofit Health Service Insurance Corporations;
- 1246 (iii) Chapter 8, Health Maintenance Organizations and Limited Health Plans;
- 1247 (iv) Chapter 9, Insurance Fraternal; or
- 1248 (v) Chapter 14, Foreign Insurers;
- 1249 (e) a person:
- 1250 (i) licensed or exempt from licensing under:
- 1251 (A) Chapter 23a, Insurance Marketing - Licensing Producers, Consultants, and
1252 Reinsurance Intermediaries; or
- 1253 (B) Chapter 26, Insurance Adjusters; and
- 1254 (ii) whose activities are limited to those authorized under the license the person holds
1255 or for which the person is exempt; or
- 1256 (f) an institution, bank, or financial institution:
- 1257 (i) that is:
- 1258 (A) an institution whose deposits and accounts are to any extent insured by a federal
1259 deposit insurance agency, including the Federal Deposit Insurance Corporation or National
1260 Credit Union Administration; or
- 1261 (B) a bank or other financial institution that is subject to supervision or examination by
1262 a federal or state banking authority; and
- 1263 (ii) that does not adjust claims without a third party administrator license.
- 1264 [~~(165)~~] (167) "Title insurance" means the insuring, guaranteeing, or indemnifying of an
1265 owner of real or personal property or the holder of liens or encumbrances on that property, or

1266 others interested in the property against loss or damage suffered by reason of liens or
1267 encumbrances upon, defects in, or the unmarketability of the title to the property, or invalidity
1268 or unenforceability of any liens or encumbrances on the property.

1269 ~~[(166)]~~ (168) "Total adjusted capital" means the sum of an insurer's or health
1270 organization's statutory capital and surplus as determined in accordance with:

1271 (a) the statutory accounting applicable to the annual financial statements required to be
1272 filed under Section 31A-4-113; and

1273 (b) another item provided by the RBC instructions, as RBC instructions is defined in
1274 Section 31A-17-601.

1275 ~~[(167)]~~ (169) (a) "Trustee" means "director" when referring to the board of directors of
1276 a corporation.

1277 (b) "Trustee," when used in reference to an employee welfare fund, means an
1278 individual, firm, association, organization, joint stock company, or corporation, whether acting
1279 individually or jointly and whether designated by that name or any other, that is charged with
1280 or has the overall management of an employee welfare fund.

1281 ~~[(168)]~~ (170) (a) "Unauthorized insurer," "unadmitted insurer," or "nonadmitted
1282 insurer" means an insurer:

1283 (i) not holding a valid certificate of authority to do an insurance business in this state;

1284 or

1285 (ii) transacting business not authorized by a valid certificate.

1286 (b) "Admitted insurer" or "authorized insurer" means an insurer:

1287 (i) holding a valid certificate of authority to do an insurance business in this state; and

1288 (ii) transacting business as authorized by a valid certificate.

1289 ~~[(169)]~~ (171) "Underwrite" means the authority to accept or reject risk on behalf of the
1290 insurer.

1291 ~~[(170)]~~ (172) "Vehicle liability insurance" means insurance against liability resulting
1292 from or incident to ownership, maintenance, or use of a land vehicle or aircraft, exclusive of a
1293 vehicle comprehensive or vehicle physical damage coverage under Subsection ~~[(139)]~~ (140).

1294 ~~[(171)]~~ (173) "Voting security" means a security with voting rights, and includes a
1295 security convertible into a security with a voting right associated with the security.

1296 ~~[(172)]~~ (174) "Waiting period" for a health benefit plan means the period that must

1297 pass before coverage for an individual, who is otherwise eligible to enroll under the terms of
1298 the health benefit plan, can become effective.

1299 [~~(173)~~] (175) "Workers' compensation insurance" means:

1300 (a) insurance for indemnification of an employer against liability for compensation
1301 based on:

1302 (i) a compensable accidental injury; and

1303 (ii) occupational disease disability;

1304 (b) employer's liability insurance incidental to workers' compensation insurance and
1305 written in connection with workers' compensation insurance; and

1306 (c) insurance assuring to a person entitled to workers' compensation benefits the
1307 compensation provided by law.

1308 Section 2. Section **31A-3-304 (Effective 07/01/15)** is amended to read:

1309 **31A-3-304 (Effective 07/01/15). Annual fees -- Other taxes or fees prohibited --**
1310 **Captive Insurance Restricted Account.**

1311 (1) (a) A captive insurance company shall pay an annual fee imposed under this section
1312 to obtain or renew a certificate of authority.

1313 (b) The commissioner shall:

1314 (i) determine the annual fee pursuant to Section **31A-3-103**; and

1315 (ii) consider whether the annual fee is competitive with fees imposed by other states on
1316 captive insurance companies.

1317 (2) A captive insurance company that fails to pay the fee required by this section is
1318 subject to the relevant sanctions of this title.

1319 (3) (a) Except as provided in Subsection (3)(d) and notwithstanding Title 59, Chapter
1320 9, Taxation of Admitted Insurers, the following constitute the sole taxes, fees, or charges under
1321 the laws of this state that may be levied or assessed on a captive insurance company:

1322 (i) a fee under this section;

1323 (ii) a fee under Chapter 37, Captive Insurance Companies Act; and

1324 (iii) a fee under Chapter 37a, Special Purpose Financial Captive Insurance Company
1325 Act.

1326 (b) The state or a county, city, or town within the state may not levy or collect an
1327 occupation tax or other tax, fee, or charge not described in Subsections (3)(a)(i) through (iii)

1328 against a captive insurance company.

1329 (c) The state may not levy, assess, or collect a withdrawal fee under Section 31A-4-115
1330 against a captive insurance company.

1331 (d) A captive insurance company is subject to real and personal property taxes.

1332 (4) A captive insurance company shall pay the fee imposed by this section to the
1333 commissioner by June 1 of each year.

1334 (5) (a) Money received pursuant to a fee described in Subsection (3)(a) shall be
1335 deposited into the Captive Insurance Restricted Account.

1336 (b) There is created in the General Fund a restricted account known as the "Captive
1337 Insurance Restricted Account."

1338 (c) The Captive Insurance Restricted Account shall consist of the fees described in
1339 Subsection (3)(a).

1340 (d) The commissioner shall administer the Captive Insurance Restricted Account.
1341 Subject to appropriations by the Legislature, the commissioner shall use the money deposited
1342 into the Captive Insurance Restricted Account to:

1343 (i) administer and enforce:

1344 (A) Chapter 37, Captive Insurance Companies Act; and

1345 (B) Chapter 37a, Special Purpose Financial Captive Insurance Company Act; and

1346 (ii) promote the captive insurance industry in Utah.

1347 (e) An appropriation from the Captive Insurance Restricted Account is nonlapsing,
1348 except that at the end of each fiscal year, money received by the commissioner in excess of
1349 [~~\$1,250,000~~] the following shall be treated as free revenue in the General Fund[-]:

1350 (i) for fiscal year 2015-2016, in excess of \$1,250,000;

1351 (ii) for fiscal year 2016-2017, in excess of \$1,250,000; and

1352 (iii) for fiscal year 2017-2018 and subsequent fiscal years, in excess of \$1,850,000.

1353 Section 3. Section 31A-6a-101 is amended to read:

1354 **31A-6a-101. Definitions.**

1355 (1) (a) "Appearance protection product" means a protective chemical, substance, or
1356 system that is:

1357 (i) installed on or applied to a motor vehicle; and

1358 (ii) designed to prevent damage to the exterior, interior, or both surfaces of a motor

1359 vehicle from a specific cause.

1360 (b) "Appearance protection product" includes an appearance protection product
1361 warranty.

1362 (2) "Appearance protection product warranty" means a written agreement by a
1363 warrantor that provides that if an appearance protection product fails to prevent damage to the
1364 exterior, interior, or both surfaces of a motor vehicle from a specific cause, the warrantor will
1365 repair or replace, or will reimburse the warranty holder for the cost of repair or replacement of,
1366 the interior, exterior, or both surfaces as a result of the failure of the appearance protection
1367 product to perform pursuant to the terms of the appearance protection product warranty.

1368 [~~(1)~~] (3) "Mechanical breakdown insurance" means a policy, contract, or agreement
1369 issued by an insurance company that has complied with either [~~Title 31A,~~] Chapter 5,
1370 Domestic Stock and Mutual Insurance Corporations, or [~~Title 31A,~~] Chapter 14, Foreign
1371 Insurers, that undertakes to perform or provide repair or replacement service on goods or
1372 property, or indemnification for repair or replacement service, for the operational or structural
1373 failure of the goods or property due to a defect in materials, workmanship, or normal wear and
1374 tear.

1375 [~~(2)~~] (4) "Nonmanufacturers' parts" means replacement parts not made for or by the
1376 original manufacturer of the goods commonly referred to as "after market parts."

1377 (5) (a) "Road hazard" means a hazard that is encountered while driving a motor
1378 vehicle.

1379 (b) "Road hazard" includes potholes, rocks, wood debris, metal parts, glass, plastic,
1380 curbs, or composite scraps.

1381 [~~(3)~~] (6) (a) "Service contract" means a contract or agreement to perform or reimburse
1382 for the repair or maintenance of goods or property, for their operational or structural failure due
1383 to a defect in materials, workmanship, or normal wear and tear, with or without additional
1384 provision for incidental payment of indemnity under limited circumstances.

1385 (b) "Service contract" includes any contract or agreement to perform or reimburse the
1386 service contract holder for any one or more of the following services:

1387 (i) the repair or replacement of tires, wheels, or both on a motor vehicle damaged as a
1388 result of coming into contact with a road hazard;

1389 (ii) the removal of dents, dings, or creases on a motor vehicle that can be repaired using

1390 the process of paintless dent removal without affecting the existing paint finish and without
 1391 replacing vehicle body panels, sanding, bonding, or painting;

1392 (iii) the repair of chips or cracks in or the replacement of a motor vehicle windshield as
 1393 a result of damage caused by a road hazard, that is primary to the coverage offered by the motor
 1394 vehicle owner's motor vehicle insurance policy;

1395 (iv) the replacement of a motor vehicle key or key-fob if the key or key-fob becomes
 1396 inoperable, lost, or stolen; or

1397 (v) other services that may be approved by the commissioner:

1398 (A) if not inconsistent with other provisions of this chapter; and

1399 (B) except that the replacement of lost or stolen property is limited to only the
 1400 replacement of a lost or stolen motor vehicle key or key-fob.

1401 (b) "Service contract" does not include ~~§~~ §:

1402 ~~—(i) ←§ mechanical breakdown insurance [as defined in Subsection (1)]. § → [§] ; ←§~~

1403 ~~§ → [(ii) coverage for the repair, replacement, or both of damage to the interior surfaces of a~~
 1404 ~~motor vehicle; or~~

1405 ~~—(iii) coverage for the repair, replacement, or both of damage to the exterior paint or~~
 1406 ~~finish of a motor vehicle.~~

1407 ~~—(c) Coverage excluded from a service contract under Subsection (6)(b) may be offered~~
 1408 ~~in connection with the sale of an appearance protection product.] ←§~~

1409 ~~[(4)] (7) "Service contract holder" or "contract holder" means a person who purchases a~~
 1410 ~~service contract.~~

1411 ~~[(5)] (8) "Service contract provider" means a person who issues, makes, provides,~~
 1412 ~~administers, sells or offers to sell a service contract, or who is contractually obligated to~~
 1413 ~~provide service under a service contract.~~

1414 ~~[(6)] (9) "Service contract reimbursement policy" or "reimbursement insurance policy"~~
 1415 ~~means a policy of insurance providing coverage for all obligations and liabilities incurred by~~
 1416 ~~the service contract provider under the terms of the service contract issued by the provider.~~

1417 (10) (a) "Vehicle protection product" means a device or system that is:

1418 (i) installed on or applied to a motor vehicle; and

1419 (ii) designed to prevent the theft of the vehicle.

1420 (b) "Vehicle protection product" includes:

1421 (i) a vehicle protection product warranty;

1422 (ii) an alarm system;

1423 (iii) a body part marking product;

1424 (iv) a steering lock;

1425 (v) a window etch product;

1426 (vi) a pedal and ignition lock;

1427 (vii) a fuel and ignition kill switch; and

1428 (viii) an electronic, radio, or satellite tracking device.

1429 (11) "Vehicle protection product warranty" means a written agreement by a warrantor
1430 that provides if the vehicle protection product fails to prevent the theft of the motor vehicle,
1431 that the warrantor will reimburse the warranty holder under the warranty in a fixed amount
1432 specified in the warranty, not to exceed \$5,000.

1433 (12) "Warrantor" means a person who is contractually obligated to the warranty holder
1434 under the terms of a vehicle protection product warranty or appearance protection product
1435 warranty.

1436 (13) "Warranty holder" means the person who purchases a vehicle protection product
1437 or appearance protection product, any authorized transferee or assignee of the purchaser, or any
1438 other person legally assuming the purchaser's rights under the vehicle protection product
1439 warranty or appearance protection product warranty.

1440 Section 4. Section **31A-6a-103** is amended to read:

1441 **31A-6a-103. Requirements for doing business.**

1442 (1) A service contract, vehicle protection product warranty, or appearance protection
1443 product warranty may not be issued, sold, or offered for sale in this state unless the service
1444 contract, vehicle protection product warranty, or appearance protection product warranty is
1445 insured under a [~~service contract~~] reimbursement insurance policy issued by:

1446 (a) an insurer authorized to do business in this state; or

1447 (b) a recognized surplus lines carrier.

1448 (2) (a) A service contract, vehicle protection product warranty, or appearance
1449 protection product warranty may not be issued, sold, or offered for sale unless the service
1450 contract provider or warrantor completes the registration process described in this Subsection
1451 (2).

1452 (b) To register, a service contract provider or warrantor shall submit to the department
1453 the following:

1454 (i) an application for registration;

1455 (ii) a fee established in accordance with Section [31A-3-103](#);

1456 (iii) a copy of any service contract, vehicle protection product warranty, or appearance
1457 protection product warranty that the service contract provider or warrantor offers in this state;
1458 and

1459 (iv) a copy of the service contract provider's or warrantor's reimbursement insurance
1460 policy.

1461 (c) A service provider or warrantor shall submit the information described in
1462 Subsection (2)(b) no less than 30 days before the day on which the service provider or
1463 warrantor issues, sells, offers for sale, or uses a service contract, vehicle protection product
1464 warranty, appearance protection product warranty, or reimbursement insurance policy in this
1465 state.

1466 (d) A service provider or warrantor shall file any modification of the terms of a service
1467 contract, vehicle protection product warranty, appearance protection product warranty, or
1468 reimbursement insurance policy 30 days before the day on which it is used in this state.

1469 (e) A person complying with this chapter is not required to comply with:

1470 (i) Subsections [31A-21-201](#)(1) and [31A-23a-402](#)(3); or

1471 (ii) Chapter 19a, Utah Rate Regulation Act.

1472 (3) (a) Premiums collected on a service contract are not subject to premium taxes.

1473 (b) Premiums collected by an issuer of a reimbursement insurance policy are subject to
1474 premium taxes.

1475 (4) A person marketing, selling, or offering to sell a service contract, vehicle protection
1476 product warranty, or appearance protection product warranty for a service contract provider or
1477 warrantor that complies with this chapter is exempt from the licensing requirements of this
1478 title.

1479 (5) A service contract provider or warrantor complying with this chapter is not required
1480 to comply with:

1481 (a) Chapter 5, Domestic Stock and Mutual Insurance Corporations;

1482 (b) Chapter 7, Nonprofit Health Service Insurance Corporations;

- 1483 (c) Chapter 8, Health Maintenance Organizations and Limited Health Plans;
- 1484 (d) Chapter 9, Insurance Fraternal;
- 1485 (e) Chapter 10, Annuities;
- 1486 (f) Chapter 11, Motor Clubs;
- 1487 (g) Chapter 12, State Risk Management Fund;
- 1488 (h) Chapter 13, Employee Welfare Funds and Plans;
- 1489 (i) Chapter 14, Foreign Insurers;
- 1490 (j) Chapter 19a, Utah Rate Regulation Act;
- 1491 (k) Chapter 25, Third Party Administrators; and
- 1492 (l) Chapter 28, Guaranty Associations.

1493 Section 5. Section **31A-6a-104** is amended to read:

1494 **31A-6a-104. Required disclosures.**

1495 (1) A service contract reimbursement insurance policy insuring a service contract that
1496 is issued, sold, or offered for sale in this state shall conspicuously state that, upon failure of the
1497 service contract provider to perform under the contract, the issuer of the policy shall:

1498 (a) pay on behalf of the service contract provider any sums the service contract
1499 provider is legally obligated to pay according to the service contract provider's contractual
1500 obligations under the service contract issued or sold by the service contract provider; or

1501 (b) provide the service which the service contract provider is legally obligated to
1502 perform, according to the service contract provider's contractual obligations under the service
1503 contract issued or sold by the service contract provider.

1504 (2) (a) A service contract may not be issued, sold, or offered for sale in this state unless
1505 the service contract contains the following statements in substantially the following form:

1506 (i) "Obligations of the provider under this service contract are guaranteed under a
1507 service contract reimbursement insurance policy. Should the provider fail to pay or provide
1508 service on any claim within 60 days after proof of loss has been filed, the contract holder is
1509 entitled to make a claim directly against the Insurance Company."; and

1510 (ii) "This service contract or warranty is subject to limited regulation by the Utah
1511 Insurance Department. To file a complaint, contact the Utah Insurance Department."

1512 (b) A service contract or reimbursement insurance policy may not be issued, sold, or
1513 offered for sale in this state unless the contract contains a statement in substantially the

1514 following form, "Coverage afforded under this contract is not guaranteed by the Property and
1515 Casualty Guaranty Association."

1516 (3) A service contract shall:

1517 (a) conspicuously state the name, address, and a toll free claims service telephone
1518 number of the reimbursement insurer;

1519 (b) identify the service contract provider, the seller, and the service contract holder;

1520 (c) conspicuously state the total purchase price and the terms under which the service
1521 contract is to be paid;

1522 (d) conspicuously state the existence of any deductible amount;

1523 (e) specify the merchandise, service to be provided, and any limitation, exception, or
1524 exclusion;

1525 (f) state a term, restriction, or condition governing the transferability of the service
1526 contract; and

1527 (g) state a term, restriction, or condition that governs cancellation of the service
1528 contract as provided in Sections 31A-21-303 through 31A-21-305 by either the contract holder
1529 or service contract provider.

1530 (4) If prior approval of repair work is required, a service contract shall conspicuously
1531 state the procedure for obtaining prior approval and for making a claim, including:

1532 (a) a toll free telephone number for claim service; and

1533 (b) a procedure for obtaining reimbursement for emergency repairs performed outside
1534 of normal business hours.

1535 (5) A preexisting condition clause in a service contract shall specifically state which
1536 preexisting condition is excluded from coverage.

1537 (6) (a) Except as provided in Subsection (6)(c), a service contract shall state the
1538 conditions upon which the use of a nonmanufacturers' part is allowed.

1539 (b) A condition described in Subsection (6)(a) shall comply with applicable state and
1540 federal laws.

1541 (c) This Subsection (6) does not apply to a home warranty contract.

1542 (7) This section applies to an appearance protection product warranty and a vehicle
1543 protection product warranty, except for the requirements of Subsection (3)(g). The department
1544 may make rules in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking

1545 Act, to implement the application of this section to an appearance protection product warranty
1546 or a vehicle protection product warranty.

1547 (8) An appearance protection product warranty or vehicle protection product warranty
1548 shall contain a statement in substantially the following form: "Purchase of this product is
1549 optional and is not required in order to finance, lease, or purchase a motor vehicle."

1550 Section 6. Section **31A-6a-105** is amended to read:

1551 **31A-6a-105. Prohibited acts.**

1552 (1) Except as provided in Subsection **31A-6a-104(2)**, a service contract provider may
1553 not use in its name, a contract, or literature:

1554 (a) any of the following words:

1555 (i) "insurance";

1556 (ii) "casualty";

1557 (iii) "surety";

1558 (iv) "mutual"; or

1559 (v) another word descriptive of the insurance, casualty, or surety business; or

1560 (b) a name deceptively similar to the name or description of:

1561 (i) an insurance or surety corporation; or

1562 (ii) another service contract provider.

1563 (2) A service contract provider or the service contract provider's representative may
1564 not:

1565 (a) make, permit, or cause to be made a false or misleading statement in connection
1566 with the sale, offer to sell, or advertisement of a service contract; or

1567 (b) deliberately omit a material statement that would be considered misleading if
1568 omitted, in connection with the sale, offer to sell, or advertisement of a service contract.

1569 (3) A bank, savings and loan association, insurance company, or other lending
1570 institution may not require the purchase of a service contract as a condition of a loan.

1571 (4) Except for a bank, savings and loan association, industrial bank, or credit union, a
1572 service contract provider may not sell, or be the obligated party for:

1573 (a) a guaranteed asset protection waiver, unless registered with the commissioner under
1574 Chapter 6b, Guaranteed Asset Protection Waiver Act;

1575 (b) a debt cancellation agreement, unless licensed by the commissioner; or

1576 (c) a debt suspension agreement, unless licensed by the commissioner.

1577 (5) A warrantor or its representative may not require the purchase of an appearance
1578 protection product or vehicle protection product as a condition of the financing, lease, or
1579 purchase of a motor vehicle.

1580 Section 7. Section **31A-6a-111** is enacted to read:

1581 **31A-6a-111. Appearance protection product warranty requirements -- Vehicle**
1582 **protection product warranty requirements.**

1583 ~~§~~ → ~~[(1) The repair or reimbursement promised under an appearance protection product~~
1584 ~~warranty shall be tied to the purchase of a physical product that is formulated or designed to~~
1585 ~~make the specified loss or damage from a specific cause less likely to occur.~~

1586 ——— ~~(2)~~ ← ~~§~~ The fixed amount of reimbursement under a vehicle protection product warranty
1587 shall be uniform for all warranty holders of the same vehicle protection product warranty.

1588 Section 8. Section **31A-16-102.5** is enacted to read:

1589 **31A-16-102.5. Subsidiaries of insurers.**

1590 (1) (a) A domestic insurer may organize or acquire one or more subsidiaries either:

1591 (i) by itself; or

1592 (ii) in cooperation with one or more persons.

1593 (b) A subsidiary of a domestic insurer may conduct any kind of business or businesses
1594 and its authority to do so may not be limited by reason of the fact that it is a subsidiary of a
1595 domestic insurer.

1596 (2) (a) In addition to investments in common stock, preferred stock, debt obligations,
1597 and other securities permitted under all other sections of this chapter, a domestic insurer may
1598 also invest in the following securities of one or more subsidiaries:

1599 (i) common stock;

1600 (ii) preferred stock;

1601 (iii) debt obligations; or

1602 (iv) other securities.

1603 (b) Amounts under Subsection (2)(a) that do not exceed the lesser of 10% of the
1604 insurer's assets or 50% of the insurer's surplus as regards policyholders are permitted, if after
1605 the investments, the insurer's surplus as regards policyholders will be reasonable in relation to
1606 the insurer's outstanding liabilities and adequate to meet its financial needs.

1607 (c) In calculating the amount of the investments described in Subsection (2)(b),
1608 investments in domestic or foreign insurance subsidiaries and health organizations shall be
1609 excluded, and there shall be included:

1610 (i) total net money or other consideration expended and obligations assumed in the
1611 acquisition or formation of a subsidiary, including all organizational expenses and
1612 contributions to capital and surplus of the subsidiary whether or not represented by the
1613 purchase of capital stock or issuance of other securities; and

1614 (ii) the amounts expended in acquiring additional common stock, preferred stock, debt
1615 obligations, and other securities, and all contributions to the capital or surplus of a subsidiary
1616 subsequent to its acquisition or formation.

1617 (d) (i) A domestic insurer may invest any amount in securities described in Subsection
1618 (2)(a) of one or more subsidiaries engaged or organized to engage exclusively in the ownership
1619 and management of assets authorized as investments for the insurer if each subsidiary agrees to
1620 limit its investments in any asset so that the investments will not cause the amount of the total
1621 investment of the insurer to exceed any of the investment limitations specified in Subsection
1622 (2)(b) applicable to the insurer.

1623 (ii) For purposes of this Subsection (2)(d), "the total investment of the insurer" shall
1624 include:

1625 (A) a direct investment by the insurer in an asset; and

1626 (B) the insurer's proportionate share of an investment in an asset by a subsidiary of the
1627 insurer, which shall be calculated by multiplying the amount of the subsidiary's investment by
1628 the percentage of the ownership of the subsidiary.

1629 (e) With the approval of the commissioner, a domestic insurer may invest any greater
1630 amount in securities described in Subsection (2)(a) provided that after the investment the
1631 insurer's surplus as regards policyholders will be reasonable in relation to the insurer's
1632 outstanding liabilities and adequate to its financial needs.

1633 (3) Investments in securities described in Subsection (2)(a) may not be subject to any
1634 of the otherwise applicable restrictions or prohibitions contained in this chapter applicable to
1635 the investments of insurers.

1636 (4) Whether any investment made pursuant to Subsection (2) meets the applicable
1637 requirements of Subsection (2) shall be determined before the investment is made, by

1638 calculating the applicable investment limitations as though the investment had already been
1639 made, taking into account:

1640 (a) the then outstanding principal balance on all previous investments in debt
1641 obligations; and

1642 (b) the value of all previous investments in equity securities as of the day they were
1643 made net of any return of capital invested not including dividends.

1644 (5) (a) Subject to Subsection (5)(b), if an insurer ceases to control a subsidiary, it shall
1645 dispose of any investment in the subsidiary made pursuant to this section:

1646 (i) within three years from the time of the cessation of control; or

1647 (ii) within such further time as the commissioner may prescribe.

1648 (b) Subsection (5)(a) does not apply if at any time after the investment is made, the
1649 investment meets the requirements for investment under any other section of this chapter, and
1650 the insurer has so notified the commissioner.

1651 Section 9. Section **31A-16-103** is amended to read:

1652 **31A-16-103. Acquisition of control of, divestiture of control of, or merger with**
1653 **domestic insurer.**

1654 (1) (a) A person may not take the actions described in Subsections (1)(b) or (c) unless,
1655 at the time any offer, request, or invitation is made or any such agreement is entered into, or
1656 prior to the acquisition of securities if no offer or agreement is involved:

1657 (i) the person files with the commissioner a statement containing the information
1658 required by this section;

1659 (ii) the person provides a copy of the statement described in Subsection (1)(a)(i) to the
1660 insurer; and

1661 (iii) the commissioner approves the offer, request, invitation, agreement, or acquisition.

1662 (b) Unless the person complies with Subsection (1)(a), a person other than the issuer
1663 may not make a tender offer for, a request or invitation for tenders of, or enter into any
1664 agreement to exchange securities, or seek to acquire or acquire in the open market or otherwise,
1665 any voting security of a domestic insurer if after the acquisition, the person would directly,
1666 indirectly, by conversion, or by exercise of any right to acquire be in control of the insurer.

1667 (c) Unless the person complies with Subsection (1)(a), a person may not enter into an
1668 agreement to merge with or otherwise to acquire control of:

1669 (i) a domestic insurer; or

1670 (ii) any person controlling a domestic insurer.

1671 (d) For purposes of this section, a controlling person of a domestic insurer seeking to
1672 divest its controlling interest in the domestic insurer, in any manner, shall file with the
1673 commissioner, with a copy to the insurer, confidential notice of its proposed divestiture at least
1674 30 days before the cessation of control. The commissioner shall determine those instances in
1675 which the one or more persons seeking to divest or to acquire a controlling interest in an
1676 insurer, will be required to file for and obtain approval of the transaction. The information
1677 shall remain confidential until the conclusion of the transaction unless the commissioner, in the
1678 commissioner's discretion, determines that confidential treatment will interfere with
1679 enforcement of this section. If the statement referred to in Subsection (1)(a) is otherwise filed,
1680 this Subsection (1)(d) does not apply.

1681 (e) With respect to a transaction subject to this section, the acquiring person shall also
1682 file a pre-acquisition notification with the commissioner, which shall contain the information
1683 set forth in Section [31A-16-104.5](#). A failure to file the notification may be subject to penalties
1684 specified in Section [31A-16-104.5](#).

1685 ~~(f)~~ (f) (i) For purposes of this section, a domestic insurer includes any person
1686 controlling a domestic insurer unless the person as determined by the commissioner is either
1687 directly or through its affiliates primarily engaged in business other than the business of
1688 insurance.

1689 (ii) The controlling person described in Subsection (1)~~(f)~~(f)(i) shall file with the
1690 commissioner a preacquisition notification containing the information required in Subsection
1691 (2) 30 calendar days before the proposed effective date of the acquisition.

1692 (iii) For the purposes of this section, "person" does not include any securities broker
1693 that in the usual and customary brokers function holds less than 20% of:

1694 (A) the voting securities of an insurance company; or

1695 (B) any person that controls an insurance company.

1696 (iv) This section applies to all domestic insurers and other entities licensed under

1697 ~~[Chapters 5, 7, 8, 9, and 11.];~~

1698 (A) Chapter 5, Domestic Stock and Mutual Insurance Corporations;

1699 (B) Chapter 7, Nonprofit Health Service Insurance Corporations;

1700 (C) Chapter 8, Health Maintenance Organizations and Limited Health Plans;
1701 (D) Chapter 9, Insurance Fraternal; and
1702 (E) Chapter 11, Motor Clubs.
1703 [~~(e)~~] (g) (i) An agreement for acquisition of control or merger as contemplated by this
1704 Subsection (1) is not valid or enforceable unless the agreement:
1705 (A) is in writing; and
1706 (B) includes a provision that the agreement is subject to the approval of the
1707 commissioner upon the filing of any applicable statement required under this chapter.
1708 (ii) A written agreement for acquisition or control that includes the provision described
1709 in Subsection (1)[~~(e)~~](g)(i) satisfies the requirements of this Subsection (1).
1710 (2) The statement to be filed with the commissioner under Subsection (1) shall be
1711 made under oath or affirmation and shall contain the following information:
1712 (a) the name and address of the "acquiring party," which means each person by whom
1713 or on whose behalf the merger or other acquisition of control referred to in Subsection (1) is to
1714 be effected; and
1715 (i) if the person is an individual:
1716 (A) the person's principal occupation;
1717 (B) a listing of all offices and positions held by the person during the past five years;
1718 and
1719 (C) any conviction of crimes other than minor traffic violations during the past 10
1720 years; and
1721 (ii) if the person is not an individual:
1722 (A) a report of the nature of its business operations during:
1723 (I) the past five years; or
1724 (II) for any lesser period as the person and any of its predecessors has been in
1725 existence;
1726 (B) an informative description of the business intended to be done by the person and
1727 the person's subsidiaries;
1728 (C) a list of all individuals who are or who have been selected to become directors or
1729 executive officers of the person, or individuals who perform, or who will perform functions
1730 appropriate to such positions; and

- 1731 (D) for each individual described in Subsection (2)(a)(ii)(C), the information required
1732 by Subsection (2)(a)(i) for each individual;
- 1733 (b) (i) the source, nature, and amount of the consideration used or to be used in
1734 effecting the merger or acquisition of control;
- 1735 (ii) a description of any transaction in which funds were or are to be obtained for the
1736 purpose of effecting the merger or acquisition of control, including any pledge of:
- 1737 (A) the insurer's stock; or
1738 (B) the stock of any of the insurer's subsidiaries or controlling affiliates; and
1739 (iii) the identity of persons furnishing the consideration;
- 1740 (c) (i) fully audited financial information, or other financial information considered
1741 acceptable by the commissioner, of the earnings and financial condition of each acquiring party
1742 for:
- 1743 (A) the preceding five fiscal years of each acquiring party; or
1744 (B) any lesser period the acquiring party and any of its predecessors shall have been in
1745 existence; and
- 1746 (ii) unaudited information:
- 1747 (A) similar to the information described in Subsection (2)(c)(i); and
1748 (B) prepared within the 90 days prior to the filing of the statement;
- 1749 (d) any plans or proposals which each acquiring party may have to:
- 1750 (i) liquidate the insurer;
1751 (ii) sell its assets;
1752 (iii) merge or consolidate the insurer with any person; or
1753 (iv) make any other material change in the insurer's:
- 1754 (A) business;
1755 (B) corporate structure; or
1756 (C) management;
- 1757 (e) (i) the number of shares of any security referred to in Subsection (1) that each
1758 acquiring party proposes to acquire;
- 1759 (ii) the terms of the offer, request, invitation, agreement, or acquisition referred to in
1760 Subsection (1); and
1761 (iii) a statement as to the method by which the fairness of the proposal was arrived at;

- 1762 (f) the amount of each class of any security referred to in Subsection (1) that:
1763 (i) is beneficially owned; or
1764 (ii) concerning which there is a right to acquire beneficial ownership by each acquiring
1765 party;
1766 (g) a full description of any contract, arrangement, or understanding with respect to any
1767 security referred to in Subsection (1) in which any acquiring party is involved, including:
1768 (i) the transfer of any of the securities;
1769 (ii) joint ventures;
1770 (iii) loan or option arrangements;
1771 (iv) puts or calls;
1772 (v) guarantees of loans;
1773 (vi) guarantees against loss or guarantees of profits;
1774 (vii) division of losses or profits; or
1775 (viii) the giving or withholding of proxies;
1776 (h) a description of the purchase by any acquiring party of any security referred to in
1777 Subsection (1) during the 12 calendar months preceding the filing of the statement including:
1778 (i) the dates of purchase;
1779 (ii) the names of the purchasers; and
1780 (iii) the consideration paid or agreed to be paid for the purchase;
1781 (i) a description of:
1782 (i) any recommendations to purchase by any acquiring party any security referred to in
1783 Subsection (1) made during the 12 calendar months preceding the filing of the statement; or
1784 (ii) any recommendations made by anyone based upon interviews or at the suggestion
1785 of the acquiring party;
1786 (j) (i) copies of all tender offers for, requests for, or invitations for tenders of, exchange
1787 offers for, and agreements to acquire or exchange any securities referred to in Subsection (1);
1788 and
1789 (ii) if distributed, copies of additional soliciting material relating to the transactions
1790 described in Subsection (2)(j)(i);
1791 (k) (i) the term of any agreement, contract, or understanding made with, or proposed to
1792 be made with, any broker-dealer as to solicitation of securities referred to in Subsection (1) for

1793 tender; and

1794 (ii) the amount of any fees, commissions, or other compensation to be paid to
1795 broker-dealers with regard to any agreement, contract, or understanding described in
1796 Subsection (2)(k)(i); [~~and~~]

1797 (l) an agreement by the person required to file the statement referred to in Subsection
1798 (1) that it will provide the annual report, specified in Section [31A-16-105](#), for so long as
1799 control exists;

1800 (m) an acknowledgment by the person required to file the statement referred to in
1801 Subsection (1) that the person and all subsidiaries within its control in the insurance holding
1802 company system will provide information to the commissioner upon request as necessary to
1803 evaluate enterprise risk to the insurer; and

1804 [~~(+)~~ (n) any additional information the commissioner requires by rule, which the
1805 commissioner determines to be:

1806 (i) necessary or appropriate for the protection of policyholders of the insurer; or

1807 (ii) in the public interest.

1808 (3) The department may request:

1809 (a) (i) criminal background information maintained pursuant to Title 53, Chapter 10,
1810 Part 2, Bureau of Criminal Identification, from the Bureau of Criminal Identification; and

1811 (ii) complete Federal Bureau of Investigation criminal background checks through the
1812 national criminal history system.

1813 (b) Information obtained by the department from the review of criminal history records
1814 received under Subsection (3)(a) shall be used by the department for the purpose of:

1815 (i) verifying the information in Subsection (2)(a)(i);

1816 (ii) determining the integrity of persons who would control the operation of an insurer;

1817 and

1818 (iii) preventing persons who violate 18 U.S.C. Sec. 1033 from engaging in the business
1819 of insurance in the state.

1820 (c) If the department requests the criminal background information, the department
1821 shall:

1822 (i) pay to the Department of Public Safety the costs incurred by the Department of
1823 Public Safety in providing the department criminal background information under Subsection

1824 (3)(a)(i);
1825 (ii) pay to the Federal Bureau of Investigation the costs incurred by the Federal Bureau
1826 of Investigation in providing the department criminal background information under
1827 Subsection (3)(a)(ii); and
1828 (iii) charge the person required to file the statement referred to in Subsection (1) a fee
1829 equal to the aggregate of Subsections (3)(c)(i) and (ii).
1830 (4) (a) If the source of the consideration under Subsection (2)(b)(i) is a loan made in
1831 the lender's ordinary course of business, the identity of the lender shall remain confidential, if
1832 the person filing the statement so requests.
1833 (b) (i) Under Subsection (2)(e), the commissioner may require a statement of the
1834 adjusted book value assigned by the acquiring party to each security in arriving at the terms of
1835 the offer.
1836 (ii) For purposes of this Subsection (4)(b), "adjusted book value" means each security's
1837 proportional interest in the capital and surplus of the insurer with adjustments that reflect:
1838 (A) market conditions;
1839 (B) business in force; and
1840 (C) other intangible assets or liabilities of the insurer.
1841 (c) The description required by Subsection (2)(g) shall identify the persons with whom
1842 the contracts, arrangements, or understandings have been entered into.
1843 (5) (a) If the person required to file the statement referred to in Subsection (1) is a
1844 partnership, limited partnership, syndicate, or other group, the commissioner may require that
1845 all the information called for by Subsections (2), (3), or (4) shall be given with respect to each:
1846 (i) partner of the partnership or limited partnership;
1847 (ii) member of the syndicate or group; and
1848 (iii) person who controls the partner or member.
1849 (b) If any partner, member, or person referred to in Subsection (5)(a) is a corporation,
1850 or if the person required to file the statement referred to in Subsection (1) is a corporation, the
1851 commissioner may require that the information called for by Subsection (2) shall be given with
1852 respect to:
1853 (i) the corporation;
1854 (ii) each officer and director of the corporation; and

1855 (iii) each person who is directly or indirectly the beneficial owner of more than 10% of
1856 the outstanding voting securities of the corporation.

1857 (6) If any material change occurs in the facts set forth in the statement filed with the
1858 commissioner and sent to the insurer pursuant to Subsection (2), an amendment setting forth
1859 the change, together with copies of all documents and other material relevant to the change,
1860 shall be filed with the commissioner and sent to the insurer within two business days after the
1861 filing person learns of such change.

1862 (7) If any offer, request, invitation, agreement, or acquisition referred to in Subsection
1863 (1) is proposed to be made by means of a registration statement under the Securities Act of
1864 1933, or under circumstances requiring the disclosure of similar information under the
1865 Securities Exchange Act of 1934, or under a state law requiring similar registration or
1866 disclosure, a person required to file the statement referred to in Subsection (1) may use copies
1867 of any registration or disclosure documents in furnishing the information called for by the
1868 statement.

1869 (8) (a) The commissioner shall approve any merger or other acquisition of control
1870 referred to in Subsection (1) unless, after a public hearing on the merger or acquisition, the
1871 commissioner finds that:

1872 (i) after the change of control, the domestic insurer referred to in Subsection (1) would
1873 not be able to satisfy the requirements for the issuance of a license to write the line or lines of
1874 insurance for which it is presently licensed;

1875 (ii) the effect of the merger or other acquisition of control would:

1876 (A) substantially lessen competition in insurance in this state; or

1877 (B) tend to create a monopoly in insurance;

1878 (iii) the financial condition of any acquiring party might:

1879 (A) jeopardize the financial stability of the insurer; or

1880 (B) prejudice the interest of:

1881 (I) its policyholders; or

1882 (II) any remaining securityholders who are unaffiliated with the acquiring party;

1883 (iv) the terms of the offer, request, invitation, agreement, or acquisition referred to in
1884 Subsection (1) are unfair and unreasonable to the securityholders of the insurer;

1885 (v) the plans or proposals which the acquiring party has to liquidate the insurer, sell its

1886 assets, or consolidate or merge it with any person, or to make any other material change in its
1887 business or corporate structure or management, are:

1888 (A) unfair and unreasonable to policyholders of the insurer; and

1889 (B) not in the public interest; or

1890 (vi) the competence, experience, and integrity of those persons who would control the
1891 operation of the insurer are such that it would not be in the interest of the policyholders of the
1892 insurer and the public to permit the merger or other acquisition of control.

1893 (b) For purposes of Subsection (8)(a)(iv), the offering price for each security may not
1894 be considered unfair if the adjusted book values under Subsection (2)(e):

1895 (i) are disclosed to the securityholders; and

1896 (ii) determined by the commissioner to be reasonable.

1897 (9) (a) The public hearing referred to in Subsection (8) shall be held within 30 days
1898 after the statement required by Subsection (1) is filed.

1899 (b) (i) At least 20 days notice of the hearing shall be given by the commissioner to the
1900 person filing the statement.

1901 (ii) Affected parties may waive the notice required by this Subsection (9)(b).

1902 (iii) Not less than seven days notice of the public hearing shall be given by the person
1903 filing the statement to:

1904 (A) the insurer; and

1905 (B) any person designated by the commissioner.

1906 (c) The commissioner shall make a determination within 30 days after the conclusion
1907 of the hearing.

1908 (d) At the hearing, the person filing the statement, the insurer, any person to whom
1909 notice of hearing was sent, and any other person whose interest may be affected by the hearing
1910 may:

1911 (i) present evidence;

1912 (ii) examine and cross-examine witnesses; and

1913 (iii) offer oral and written arguments.

1914 (e) (i) A person or insurer described in Subsection (9)(d) may conduct discovery
1915 proceedings in the same manner as is presently allowed in the district courts of this state.

1916 (ii) All discovery proceedings shall be concluded not later than three days before the

1917 commencement of the public hearing.

1918 (10) If the proposed acquisition of control will require the approval of more than one
1919 commissioner, the public hearing referred to in Subsection (9)(a) may be held on a
1920 consolidated basis upon request of the person filing the statement referred to in Subsection (1).
1921 The person shall file the statement referred to in Subsection (1) with the National Association
1922 of Insurance Commissioners within five days of making the request for a public hearing. A
1923 commissioner may opt out of a consolidated hearing and shall provide notice to the applicant of
1924 the opt-out within 10 days of the receipt of the statement referred to in Subsection (1). A
1925 hearing conducted on a consolidated basis shall be public and shall be held within the United
1926 States before the commissioners of the states in which the insurers are domiciled. The
1927 commissioners shall hear and receive evidence. A commissioner may attend a hearing under
1928 this Subsection (10) in person or by telecommunication.

1929 (11) In connection with a change of control of a domestic insurer, any determination by
1930 the commissioner that the person acquiring control of the insurer shall be required to maintain
1931 or restore the capital of the insurer to the level required by the laws and regulations of this state
1932 shall be made not later than 60 days after the date of notification of the change in control
1933 submitted pursuant to Subsection (1).

1934 [~~(10)~~] (12) (a) The commissioner may retain technical experts to assist in reviewing all,
1935 or a portion of, information filed in connection with a proposed merger or other acquisition of
1936 control referred to in Subsection (1).

1937 (b) In determining whether any of the conditions in Subsection (8) exist, the
1938 commissioner may consider the findings of technical experts employed to review applicable
1939 filings.

1940 (c) (i) A technical expert employed under Subsection [~~(10)~~] (12)(a) shall present to the
1941 commissioner a statement of all expenses incurred by the technical expert in conjunction with
1942 the technical expert's review of a proposed merger or other acquisition of control.

1943 (ii) At the commissioner's direction the acquiring person shall compensate the technical
1944 expert at customary rates for time and expenses:

1945 (A) necessarily incurred; and

1946 (B) approved by the commissioner.

1947 (iii) The acquiring person shall:

1948 (A) certify the consolidated account of all charges and expenses incurred for the review
1949 by technical experts;

1950 (B) retain a copy of the consolidated account described in Subsection [~~(10)~~]
1951 ~~(12)~~(c)(iii)(A); and

1952 (C) file with the department as a public record a copy of the consolidated account
1953 described in Subsection [~~(10)~~] ~~(12)~~(c)(iii)(A).

1954 [~~(11)~~] ~~(13)~~ (a) (i) If a domestic insurer proposes to merge into another insurer, any
1955 securityholder electing to exercise a right of dissent may file with the insurer a written request
1956 for payment of the adjusted book value given in the statement required by Subsection (1) and
1957 approved under Subsection (8), in return for the surrender of the security holder's securities.

1958 (ii) The request described in Subsection [~~(11)~~] ~~(13)~~(a)(i) shall be filed not later than 10
1959 days after the day of the securityholders' meeting where the corporate action is approved.

1960 (b) The dissenting securityholder is entitled to and the insurer is required to pay to the
1961 dissenting securityholder the specified value within 60 days of receipt of the dissenting security
1962 holder's security.

1963 (c) Persons electing under this Subsection [~~(11)~~] ~~(13)~~ to receive cash for their securities
1964 waive the dissenting shareholder and appraisal rights otherwise applicable under Title 16,
1965 Chapter 10a, Part 13, Dissenters' Rights.

1966 (d) (i) This Subsection [~~(11)~~] ~~(13)~~ provides an elective procedure for dissenting
1967 securityholders to resolve their objections to the plan of merger.

1968 (ii) This section does not restrict the rights of dissenting securityholders under Title 16,
1969 Chapter 10a, Utah Revised Business Corporation Act, unless this election is made under this
1970 Subsection [~~(11)~~] ~~(13)~~.

1971 [~~(12)~~] ~~(14)~~ (a) All statements, amendments, or other material filed under Subsection
1972 (1), and all notices of public hearings held under Subsection (8), shall be mailed by the insurer
1973 to its securityholders within five business days after the insurer has received the statements,
1974 amendments, other material, or notices.

1975 (b) (i) Mailing expenses shall be paid by the person making the filing.

1976 (ii) As security for the payment of mailing expenses, that person shall file with the
1977 commissioner an acceptable bond or other deposit in an amount determined by the
1978 commissioner.

1979 [~~(13)~~] (15) This section does not apply to any offer, request, invitation, agreement, or
 1980 acquisition that the commissioner by order exempts from the requirements of this section as:

1981 (a) not having been made or entered into for the purpose of, and not having the effect
 1982 of, changing or influencing the control of a domestic insurer; or

1983 (b) otherwise not comprehended within the purposes of this section.

1984 [~~(14)~~] (16) The following are violations of this section:

1985 (a) the failure to file any statement, amendment, or other material required to be filed
 1986 pursuant to Subsections (1), (2), and (5); or

1987 (b) the effectuation, or any attempt to effectuate, an acquisition of control of,
 1988 divestiture of, or merger with a domestic insurer unless the commissioner has given the
 1989 commissioner's approval to the acquisition or merger.

1990 [~~(15)~~] (17) (a) The courts of this state are vested with jurisdiction over:

1991 (i) a person who:

1992 (A) files a statement with the commissioner under this section; and

1993 (B) is not resident, domiciled, or authorized to do business in this state; and

1994 (ii) overall actions involving persons described in Subsection [~~(15)~~] (17)(a)(i) arising
 1995 out of a violation of this section.

1996 (b) A person described in Subsection [~~(15)~~] (17)(a) is considered to have performed
 1997 acts equivalent to and constituting an appointment of the commissioner by that person, to be
 1998 that person's lawful agent upon whom may be served all lawful process in any action, suit, or
 1999 proceeding arising out of a violation of this section.

2000 (c) A copy of a lawful process described in Subsection [~~(15)~~] (17)(b) shall be:

2001 (i) served on the commissioner; and

2002 (ii) transmitted by registered or certified mail by the commissioner to the person at that
 2003 person's last-known address.

2004 Section 10. Section **31A-16-104.5** is enacted to read:

2005 **31A-16-104.5. Acquisitions involving insurers not otherwise covered.**

2006 (1) The following definitions apply for the purposes of this section only:

2007 (a) "Acquisition" means an agreement, arrangement, or activity the consummation of
 2008 which results in a person acquiring directly or indirectly the control of another person and
 2009 includes the acquisition of voting securities, the acquisition of assets, bulk reinsurance, and

2010 mergers.

2011 (b) "Insurer" includes any company or group of companies under common
2012 management, ownership, or control.

2013 (c) "Involved insurer" includes an insurer that either acquires or is acquired, is
2014 affiliated with an acquirer or acquired, or is the result of a merger.

2015 (d) (i) "Market" means the relevant product and geographical markets. In determining
2016 the relevant product and geographical markets, the commissioner shall give due consideration
2017 to, among other things, the definitions or guidelines, if any, promulgated by the National
2018 Association of Insurance Commissioners and to information, if any, submitted by parties to the
2019 acquisition. In the absence of sufficient information to the contrary, the relevant product
2020 market is assumed to be the direct written insurance premium for a line of business, such line
2021 being that used in the annual statement required to be filed by insurers doing business in this
2022 state, and the relevant geographical market is assumed to be this state.

2023 (ii) Notwithstanding Subsection (1)(d)(i), for purposes of Subsection (2)(b), "market"
2024 means direct written insurance premium in this state for a line of business as contained in the
2025 annual statement required to be filed by insurers licensed to do business in this state.

2026 (2) (a) This section applies to any acquisition in which there is a change in control of
2027 an insurer authorized to do business in Utah.

2028 (b) This section does not apply to the following:

2029 (i) securities purchased solely for investment purposes so long as the securities are not
2030 used by voting or otherwise to cause or attempt to cause the substantial lessening of
2031 competition in any insurance market in this state;

2032 (ii) if a purchase of securities results in a presumption of control under Subsection
2033 [31A-1-301\(29\)\(d\)](#), it is not solely for investment purposes unless the commissioner of the
2034 insurer's state of domicile accepts a disclaimer of control or affirmatively finds that control
2035 does not exist and the disclaimer action or affirmative finding is communicated by the
2036 domiciliary commissioner to the commissioner of this state;

2037 (iii) the acquisition of a person by another person when both persons are neither
2038 directly nor through affiliates primarily engaged in the business of insurance, if pre-acquisition
2039 notification is filed with the commissioner in accordance with Subsection (3)(a) 30 days before
2040 the proposed effective date of the acquisition;

2041 (iv) the acquisition of an already affiliated person;
2042 (v) an acquisition if, as an immediate result of the acquisition:
2043 (A) in no market would the combined market share of the involved insurers exceed 5%
2044 of the total market;
2045 (B) there would be no increase in any market share; or
2046 (C) in no market would the combined market share of the involved insurers exceeds
2047 12% of the total market, and the market share increase by more than 2% of the total market;
2048 (vi) an acquisition for which a pre-acquisition notification would be required pursuant
2049 to this section due solely to the resulting effect on the ocean marine insurance line of business;
2050 or
2051 (vii) an acquisition of an insurer whose domiciliary commissioner affirmatively finds
2052 that the insurer is in failing condition, and:
2053 (A) there is a lack of feasible alternative to improving such condition;
2054 (B) the public benefits of improving the insurer's condition through the acquisition
2055 exceed the public benefits that would arise from not lessening competition; and
2056 (C) the findings are communicated by the domiciliary commissioner to the
2057 commissioner of this state.
2058 (3) An acquisition covered by Subsection (2) may be subject to an order pursuant to
2059 Subsection (5) unless the acquiring person files a pre-acquisition notification and the waiting
2060 period has expired. The acquired person may file a pre-acquisition notification. The
2061 commissioner shall give confidential treatment to information submitted under this Subsection
2062 (3) in the same manner as provided in Section [31A-16-109](#).
2063 (a) The pre-acquisition notification shall be in the form and contain such information
2064 as prescribed by the National Association of Insurance Commissioners relating to those
2065 markets that, under Subsection (2)(b)(v), cause the acquisition not to be exempted from this
2066 section. The commissioner may require additional material and information as considered
2067 necessary to determine whether the proposed acquisition, if consummated, would violate the
2068 competitive standard of Subsection (4). The required information may include an opinion of an
2069 economist as to the competitive impact of the acquisition in this state accompanied by a
2070 summary of the education and experience of the economist indicating the economist's ability to
2071 render an informed opinion.

2072 (b) The waiting period required shall begin on the date of receipt of the commissioner
 2073 of a pre-acquisition notification and shall end on the earlier of the 30th day after the date of
 2074 receipt, or termination of the waiting period by the commissioner. Before the end of the
 2075 waiting period, the commissioner on a one-time basis may require the submission of additional
 2076 needed information relevant to the proposed acquisition, in which event the waiting period
 2077 shall end on the earlier of the 30th day after receipt of the additional information by the
 2078 commissioner or termination of the waiting period by the commissioner.

2079 (4) (a) The commissioner may enter an order under Subsection (5)(a) with respect to an
 2080 acquisition if there is substantial evidence that the effect of the acquisition may be substantially
 2081 to lessen competition in any line of insurance in this state, tend to create a monopoly, or if the
 2082 insurer fails to file adequate information in compliance with this section.

2083 (b) In determining whether a proposed acquisition would violate the competitive
 2084 standard of Subsection (4)(a), the commissioner shall consider the following:

2085 (i) Any acquisition covered under this Subsection (4) involving two or more insurers
 2086 competing in the same market is prima facie evidence of violation of the competitive standards
 2087 if:

2088 (A) the market is highly concentrated and the involved insurers possess the following
 2089 shares of the market:

2090	<u>Insurer A</u>	<u>Insurer B</u>
2091	<u>4%</u>	<u>4% or more</u>
2092	<u>10%</u>	<u>2% or more</u>
2093	<u>15%</u>	<u>1% or more; or</u>

2094 (B) the market is not highly concentrated and the involved insurers possess the
 2095 following shares of the market:

2096	<u>Insurer A</u>	<u>Insurer B</u>
2097	<u>5%</u>	<u>5% or more</u>
2098	<u>10%</u>	<u>4% or more</u>
2099	<u>15%</u>	<u>3% or more</u>
2100	<u>19%</u>	<u>1% or more.</u>

2101 (ii) For purposes of this section, a highly concentrated market is one in which the share

2102 of the four largest insurers is 75% or more of the market. Percentages not shown in the tables
2103 are interpolated proportionately to the percentages that are shown. If more than two insurers
2104 are involved, exceeding the total of the two columns in the table is prima facie evidence of
2105 violation of the competitive standard in Subsection (4)(a).

2106 (iii) For purposes of this section, the insurer with the largest share of the market shall
2107 be considered to be Insurer A.

2108 (c) There is a significant trend toward increased concentration when the aggregate
2109 market share of any grouping of the largest insurers in the market, from the two largest to the
2110 eight largest, has increased by 7% or more of the market over a period of time extending from
2111 any base year 5 to 10 years before the acquisition up to the time of the acquisition. Any
2112 acquisition or merger covered under Subsection (1) involving two or more insurers competing
2113 in the same market is prima facie evidence of violation of the competitive standard in
2114 Subsection (4)(a) if:

2115 (i) there is a significant trend toward increased concentration in the market;

2116 (ii) one of the insurers involved is one of the insurers in a grouping of large insurers
2117 showing the requisite increase in the market share; and

2118 (iii) another involved insurer's market is 2% or more.

2119 (d) The burden of showing prima facie evidence of violation of the competitive
2120 standard rests upon the commissioner.

2121 (e) Even though an acquisition is not prima facie violative of the competitive standard
2122 under Subsections (4)(b) and (4)(c), the commissioner may establish the requisite
2123 anticompetitive effect based upon other substantial evidence.

2124 (f) Even though an acquisition is prima facie violative of the competitive standard
2125 under Subsections (4)(b) and (4)(c), a party may establish the absence of the requisite
2126 anticompetitive effect based upon other substantial evidence. Relevant factors in making a
2127 determination under this Subsection (4)(f) include the following:

2128 (i) market shares;

2129 (ii) volatility of ranking of market leaders;

2130 (iii) number of competitors;

2131 (iv) concentration or trend of concentration in the industry; and

2132 (v) ease of entry and exit into the market.

2133 (g) An order may not be entered under Subsection (5) if:
2134 (i) the acquisition will yield substantial economies of scale or economies in resource
2135 use that cannot be feasibly achieved in any other way, and the public benefits that would arise
2136 from the economies exceed the public benefits that would arise from not lessening competition;
2137 or

2138 (ii) the acquisition will substantially increase the availability of insurance, and the
2139 public benefits of the increase exceed the public benefits that would arise from not lessening
2140 competition.

2141 (5) (a) Subject to Title 63G, Chapter 4, Administrative Procedures Act, if an
2142 acquisition violates the standards of this section, the commissioner may enter an order:

2143 (i) requiring an involved insurer to cease and desist from doing business in this state
2144 with respect to the line or lines of insurance involved in the violation; or

2145 (ii) denying the application of an acquired or acquiring insurer for a license to do
2146 business in this state.

2147 (b) The commissioner shall accompany an order issued under this Subsection (5) with
2148 a written decision of the commissioner setting forth findings of fact and conclusions of law.

2149 (c) An order pursuant to this section may not apply if the acquisition is not
2150 consummated.

2151 (d) A person who violates a cease and desist order of the commissioner under
2152 Subsection (5)(a)(i) and while the order is in effect may after notice and hearing and upon order
2153 of the commissioner be subject at the discretion of the commissioner to one or more of the
2154 following:

2155 (i) notwithstanding Section [31A-2-308](#), a monetary penalty of not more than \$10,000
2156 for every day of violation; or

2157 (ii) suspension or revocation of the person's license.

2158 (e) An insurer or other person who fails to make any filing required by this section, and
2159 who fails to demonstrate a good faith effort to comply with a filing requirement, is subject to a
2160 fine of not more than \$50,000 notwithstanding Section [31A-2-308](#).

2161 Section 11. Section **31A-16-105** is amended to read:

2162 **31A-16-105. Registration of insurers.**

2163 (1) (a) ~~Every~~ An insurer [which] that is authorized to do business in this state and

2164 [~~which~~] that is a member of an insurance holding company system shall register with the
2165 commissioner, except a foreign insurer subject to registration requirements and standards
2166 adopted by statute or regulation in the jurisdiction of its domicile, if the requirements and
2167 standards are substantially similar to those contained in this section, Subsections
2168 31A-16-106(1)(a) and (2) and either Subsection 31A-16-106(1)(b) or a statutory provision
2169 similar to the following: "Each registered insurer shall keep current the information required to
2170 be disclosed in its registration statement by reporting all material changes or additions within
2171 15 days after the end of the month in which it learns of each change or addition."

2172 (b) [~~Any~~] An insurer [~~which~~] that is subject to registration under this section shall
2173 register within 15 days after it becomes subject to registration, and annually thereafter by May
2174 1 of each year for the previous calendar year, unless the commissioner for good cause extends
2175 the time for registration and then at the end of the extended time period. The commissioner
2176 may require any insurer authorized to do business in the state, which is a member of a holding
2177 company system, and which is not subject to registration under this section, to furnish a copy of
2178 the registration statement, the summary specified in Subsection (3), or any other information
2179 filed by the insurer with the insurance regulatory authority of domiciliary jurisdiction.

2180 (2) [~~Every~~] An insurer subject to registration shall file the registration statement with
2181 the commissioner on a form and in a format prescribed by the National Association of
2182 Insurance Commissioners, which shall contain the following current information:

2183 (a) the capital structure, general financial condition, and ownership and management of
2184 the insurer and any person controlling the insurer;

2185 (b) the identity and relationship of every member of the insurance holding company
2186 system;

2187 (c) any of the following agreements in force, and transactions currently outstanding or
2188 which have occurred during the last calendar year between the insurer and its affiliates:

2189 (i) loans, other investments, or purchases, sales or exchanges of securities of the
2190 affiliates by the insurer or of securities of the insurer by its affiliates;

2191 (ii) purchases, sales, or exchanges of assets;

2192 (iii) transactions not in the ordinary course of business;

2193 (iv) guarantees or undertakings for the benefit of an affiliate which result in an actual
2194 contingent exposure of the insurer's assets to liability, other than insurance contracts entered

2195 into in the ordinary course of the insurer's business;

2196 (v) all management agreements, service contracts, and all cost-sharing arrangements;

2197 (vi) reinsurance agreements;

2198 (vii) dividends and other distributions to shareholders; and

2199 (viii) consolidated tax allocation agreements;

2200 (d) any pledge of the insurer's stock, including stock of any subsidiary or controlling

2201 affiliate, for a loan made to any member of the insurance holding company system; ~~[and]~~

2202 (e) if requested by the commissioner, financial statements of or within an insurance

2203 holding company system, including all affiliates:

2204 (i) which may include annual audited financial statements filed with the United States

2205 Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, or

2206 the Securities Exchange Act of 1934, as amended; and

2207 (ii) which request is satisfied by providing the commissioner with the most recently

2208 filed parent corporation financial statements that have been filed with the United States

2209 Securities and Exchange Commission;

2210 ~~[(e)]~~ (f) any other matters concerning transactions between registered insurers and any

2211 affiliates as may be included in any subsequent registration forms adopted or approved by the

2212 commissioner[-];

2213 (g) statements that the insurer's board of directors oversees corporate governance and

2214 internal controls and that the insurer's officers or senior management have approved,

2215 implemented, and continue to maintain and monitor corporate governance and internal control

2216 procedures; and

2217 (h) any other information required by rule made by the commissioner in accordance

2218 with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

2219 (3) All registration statements shall contain a summary outlining all items in the

2220 current registration statement representing changes from the prior registration statement.

2221 (4) No information need be disclosed on the registration statement filed pursuant to

2222 Subsection (2) if the information is not material for the purposes of this section. Unless the

2223 commissioner by rule or order provides otherwise, sales, purchases, exchanges, loans or

2224 extensions of credit, investments, or guarantees involving one-half of 1%, or less, of an

2225 insurer's admitted assets as of the next preceding December 31 may not be considered material

2226 for purposes of this section.

2227 (5) Subject to Section [31A-16-106](#), each registered insurer shall report to the
2228 commissioner a dividend or other distribution to shareholders within 15 business days
2229 following the declaration of the dividend or distribution.

2230 ~~[(5)]~~ (6) Any person within an insurance holding company system subject to
2231 registration shall provide complete and accurate information to an insurer if the information is
2232 reasonably necessary to enable the insurer to comply with the provisions of this chapter.

2233 ~~[(6)]~~ (7) The commissioner shall terminate the registration of any insurer which
2234 demonstrates that it no longer is a member of an insurance holding company system.

2235 ~~[(7)]~~ (8) The commissioner may require or allow two or more affiliated insurers subject
2236 to registration under this section to file a consolidated registration statement.

2237 ~~[(8)]~~ (9) The commissioner may allow an insurer which is authorized to do business in
2238 this state, and which is part of an insurance holding company system, to register on behalf of
2239 any affiliated insurer which is required to register under Subsection (1) and to file all
2240 information and material required to be filed under this section.

2241 ~~[(9) The provisions of this]~~ (10) This section ~~[do]~~ does not apply to any insurer,
2242 information, or transaction if, and to the extent that, the commissioner by rule or order exempts
2243 the insurer from ~~[the provisions of]~~ this section.

2244 ~~[(10)]~~ (11) Any person may file with the commissioner a disclaimer of affiliation with
2245 any authorized insurer, or a disclaimer of affiliation may be filed by any insurer or any member
2246 of an insurance holding company system. The disclaimer shall fully disclose all material
2247 relationships and bases for affiliation between the person and the insurer as well as the basis for
2248 disclaiming the affiliation. ~~[After a disclaimer has been filed, the insurer shall be relieved of~~
2249 ~~any duty to register or report under this section which may arise out of the insurer's relationship~~
2250 ~~with the person unless and until the commissioner disallows the disclaimer. The commissioner~~
2251 ~~shall disallow a disclaimer only after furnishing all parties in interest with notice and~~
2252 ~~opportunity to be heard, and after making specific findings of fact to support the disallowance.]~~
2253 A disclaimer of affiliation is considered to have been granted unless the commissioner, within
2254 30 days following receipt of a complete disclaimer, notifies the filing party the disclaimer is
2255 disallowed. If disallowed, the disclaiming party may request an administrative hearing, which
2256 shall be granted. The disclaiming party shall be relieved of its duty to register under this

2257 section if approval of the disclaimer is granted by the commissioner, or if the disclaimer is
2258 considered to have been approved.

2259 (12) The ultimate controlling person of an insurer subject to registration shall also file
2260 an annual enterprise risk report. The annual enterprise risk report shall, to the best of the
2261 ultimate controlling person's knowledge and belief, identify the material risks within the
2262 insurance holding company that could pose enterprise risk to the insurer. The annual enterprise
2263 risk report shall be filed with the lead state commissioner of the insurance holding company
2264 system as determined by the procedures within the Financial Analysis Handbook adopted by
2265 the National Association of Insurance Commissioners.

2266 [~~(H)~~] (13) The failure to file a registration statement or any summary of the
2267 registration statement or enterprise risk filing required by this section within the time specified
2268 for the filing is a violation of this section.

2269 Section 12. Section **31A-16-106** is amended to read:

2270 **31A-16-106. Standards and management of an insurer within a holding company**
2271 **system.**

2272 (1) (a) Transactions within [~~a~~] an insurance holding company system to which an
2273 insurer subject to registration is a party are subject to the following standards:

2274 (i) the terms shall be fair and reasonable;

2275 (ii) agreements for cost sharing services and management shall include the provisions
2276 required by rule made by the commissioner in accordance with Title 63G, Chapter 3, Utah
2277 Administrative Rulemaking Act;

2278 [~~(ii)~~] (iii) charges or fees for services performed shall be reasonable;

2279 [~~(iii)~~] (iv) expenses incurred and payment received shall be allocated to the insurer in
2280 conformity with customary insurance accounting practices consistently applied;

2281 [~~(iv)~~] (v) the books, accounts, and records of each party to all transactions shall be so
2282 maintained as to clearly and accurately disclose the nature and details of the transactions,
2283 including the accounting information necessary to support the reasonableness of the charges or
2284 fees to the respective parties; and

2285 [~~(v)~~] (vi) the insurer's surplus held for policyholders, following any dividends or
2286 distributions to shareholder affiliates, shall be reasonable in relation to the insurer's outstanding
2287 liabilities and shall be adequate to its financial needs.

2288 (b) The following transactions involving a domestic insurer and any person in its
2289 insurance holding company system, including amendments or modifications of affiliate
2290 agreements previously filed pursuant to this section, which are subject to any materiality
2291 standards contained in Subsections (1)(a)(i) through (vi), may not be entered into unless the
2292 insurer has notified the commissioner in writing of its intention to enter into the transaction at
2293 least 30 days ~~[prior to]~~ before entering into the transaction, or within any shorter period the
2294 commissioner may permit, if the commissioner has not disapproved the transaction within the
2295 period[:]. The notice for an amendment or modification shall include the reasons for the change
2296 and financial impact on the domestic insurer. Informal notice shall be reported, within 30 days
2297 after a termination of a previously filed agreement, to the commissioner for determination of
2298 the type of filing required, if any:

2299 (i) sales, purchases, exchanges, loans or extensions of credit, guarantees, or
2300 investments if the transactions are equal to, or exceed as of the next preceding December 31:

2301 (A) for nonlife insurers, the lesser of 3% of the insurer's admitted assets or 25% of
2302 surplus held for policyholders;

2303 (B) for life insurers, 3% of the insurer's admitted assets;

2304 (ii) loans or extensions of credit made to any person who is not an affiliate, if the
2305 insurer makes the loans or extensions of credit with the agreement or understanding that the
2306 proceeds of the transactions, in whole or in substantial part, are to be used to make loans or
2307 extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the
2308 insurer making the loans or extensions of credit if the transactions are equal to, or exceed as of
2309 the next preceding December 31:

2310 (A) for nonlife insurers, the lesser of 3% of the insurer's admitted assets or 25% of
2311 surplus held for policyholders;

2312 (B) for life insurers, 3% of the insurer's admitted assets;

2313 (iii) ~~reinsurance agreements or modifications to reinsurance agreements [in which the~~
2314 ~~reinsurance premium or a change in the insurer's liabilities equals or exceeds 5% of the~~
2315 ~~insurer's surplus held for policyholders, as of the next preceding December 31, including those~~
2316 ~~agreements which may require as consideration the transfer of assets from an insurer to a~~
2317 ~~nonaffiliate, if an agreement or understanding exists between the insurer and the nonaffiliate~~
2318 ~~that any portion of the assets will be transferred to one or more affiliates of the insurer;],~~

2319 including an agreement in which the reinsurance premium, a change in the insurer's liabilities,
2320 or the projected reinsurance premium or a change in the insurer's liabilities in any of the current
2321 and succeeding three years, equals or exceeds 5% of the insurer's surplus held for
2322 policyholders, as of the next preceding December 31, including those agreements that may
2323 require as consideration the transfer of assets from an insurer to a non-affiliate, if an agreement
2324 or understanding exists between the insurer and the non-affiliate that any portion of the assets
2325 will be transferred to one or more affiliates of the reinsurer;

2326 (iv) all management agreements, service contracts, tax allocation agreements, and all
2327 cost-sharing arrangements;

2328 (v) guarantees when made by a domestic insurer, except that:

2329 (A) a guarantee that is quantifiable as to amount is not subject to the notice
2330 requirements of this Subsection (1) unless it exceeds the lesser of .5% of the insurer's admitted
2331 assets or 10% of surplus held for policyholders, as of the next preceding December 31; and

2332 (B) a guarantee that is not quantifiable as to amount is subject to the notice
2333 requirements of this Subsection (1);

2334 (vi) direct or indirect acquisitions or investments in a person that controls the insurer or
2335 in an affiliate of the insurer in an amount that, together with its present holdings in the
2336 investments, exceeds 2.5% of the insurer's surplus to policyholders, except that a direct or
2337 indirect acquisition or investment in a subsidiary acquired pursuant to Section [31A-16-102.5](#),
2338 or in a non-subsiary insurance affiliate that is subject to this chapter, is exempt from this
2339 Subsection (1)(b)(vi);

2340 ~~[(v)]~~ (vii) any material transactions, specified by rule, which the commissioner
2341 determines may adversely affect the interests of the insurer's policyholders; and

2342 ~~[(vi) this subsection]~~ (viii) this Subsection (1) may not be interpreted to authorize or
2343 permit any transactions which would be otherwise contrary to law in the case of an insurer not
2344 a member of the same holding company system.

2345 (c) A domestic insurer may not enter into transactions which are part of a plan or series
2346 of like transactions with persons within the holding company system if the purpose of the
2347 separate transactions is to avoid the statutory threshold amount and thus to avoid the review by
2348 the commissioner that would occur otherwise. If the commissioner determines that the
2349 separate transactions were entered into over any 12 month period for such a purpose, ~~he~~ the

2350 commissioner may exercise [~~his~~] the commissioner's authority under Section 31A-16-110.

2351 (d) The commissioner, in reviewing transactions pursuant to Subsection (1)(b), shall
2352 consider whether the transactions comply with the standards set forth in Subsection (1)(a) and
2353 whether they may adversely affect the interests of policyholders.

2354 (e) The commissioner shall be notified within 30 days of any investment of the
2355 domestic insurer in any one corporation, if the total investment in the corporation by the
2356 insurance holding company system exceeds 10% of the corporation's voting securities.

2357 (2) (a) A domestic insurer may not pay any extraordinary dividend or make any other
2358 extraordinary distribution to its shareholders until:

2359 (i) 30 days after the commissioner has received notice of the declaration of the
2360 dividend and has not within the 30-day period disapproved the payment; or

2361 (ii) the commissioner has approved the payment within the 30-day period.

2362 (b) For purposes of this [~~subsection~~] Subsection (2), an extraordinary dividend or
2363 distribution includes any dividend or distribution of cash or other property, fair market value of
2364 which, together with that of other dividends or distributions made within the preceding 12
2365 months, exceeds the lesser of:

2366 (i) 10% of the insurer's surplus held for policyholders as of the next preceding
2367 December 31; [~~or~~]

2368 (ii) the net gain from operations of the insurer, if the insurer is a life insurer, or the net
2369 income, if the insurer is not a life insurer, not including realized capital gains, for the 12-month
2370 period ending the next preceding December 31; or

2371 (iii) an extraordinary dividend does not include pro rata distributions of any class of the
2372 insurer's own securities.

2373 (c) In determining whether a dividend or distribution is extraordinary, an insurer other
2374 than a life insurer may carry forward net income from the previous two calendar years that has
2375 not already been paid out as dividends. This carry-forward shall be computed by taking the net
2376 income from the second and third preceding calendar years, not including realized capital
2377 gains, less dividends paid in the second and immediate preceding calendar years.

2378 (d) Notwithstanding any other provision of law, an insurer may declare an
2379 extraordinary dividend or distribution, which is conditioned upon the commissioner's approval
2380 of the dividend or distribution, and the declaration shall confer no rights upon shareholders

2381 until:

2382 (i) the commissioner has approved the payment of the dividend or distribution; or

2383 (ii) the commissioner has not disapproved the payment within the 30-day period

2384 referred to in Subsection (2)(a).

2385 (3) (a) Notwithstanding the control of a domestic insurer by any person, the officers
2386 and directors of the insurer may not be relieved of any obligation or liability to which they
2387 would otherwise be subject by law, and the insurer shall be managed so as to assure its separate
2388 operating identity consistent with this chapter.

2389 (b) Nothing in this section precludes a domestic insurer from having or sharing a
2390 common management or cooperative or joint use of personnel, property, or services with one or
2391 more other persons under arrangements meeting the standards of Subsection (1)(a).

2392 (c) (i) Not less than one-third of the directors of a domestic insurer, and not less than
2393 one-third of the members of each committee of the board of directors of a domestic insurer,
2394 shall be persons who are not officers or employees of the insurer or of any entity controlling,
2395 controlled by, or under common control with the insurer and who are not beneficial owners of a
2396 controlling interest in the voting stock of the insurer or entity.

2397 (ii) At least one person described in Subsection (3)(c)(i) shall be included in a quorum
2398 for the transaction of business at a meeting of the board of directors or a committee of the
2399 board of directors.

2400 (d) Subsection (3)(c) does not apply to a domestic insurer if the person controlling the
2401 insurer, such as an insurer, a mutual insurance holding company, or a publicly held corporation,
2402 has a board of directors and committees of the board of directors that meet the requirements of
2403 Subsection (3)(c) with respect to the controlling entity.

2404 (e) An insurer may make application to the commissioner for a waiver from the
2405 requirements of this Subsection (3) if the insurer's annual direct written and assumed premium,
2406 excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood
2407 Program, is less than \$300,000,000. An insurer may also make application to the
2408 commissioner for a waiver from the requirements of this Subsection (3) based upon unique
2409 circumstances. The commissioner may consider various factors, including:

2410 (i) the type of business entity;

2411 (ii) the volume of business written;

- 2412 (iii) the availability of qualified board members; or
 2413 (iv) the ownership or organizational structure of the entity.
 2414 (4) (a) For purposes of this chapter, in determining whether an insurer's surplus as
 2415 regards policyholders is reasonable in relation to the insurer's outstanding liabilities and
 2416 adequate to meet its financial needs, the following factors, among others, shall be considered:
 2417 (i) the size of the insurer as measured by its assets, capital and surplus, reserves,
 2418 premium writings, insurance in force, and other appropriate criteria;
 2419 (ii) the extent to which the insurer's business is diversified among several lines of
 2420 insurance;
 2421 (iii) the number and size of risks insured in each line of business;
 2422 (iv) the extent of the geographical dispersion of the insurer's insured risks;
 2423 (v) the nature and extent of the insurer's reinsurance program;
 2424 (vi) the quality, diversification, and liquidity of the insurer's investment portfolio;
 2425 (vii) the recent past and projected future trend in the size of the insurer's investment
 2426 portfolio;
 2427 (viii) the surplus as regards policyholders maintained by other comparable insurers;
 2428 (ix) the adequacy of the insurer's reserves; and
 2429 (x) the quality and liquidity of investments in affiliates.
 2430 (b) The commissioner may treat an investment described in Subsection (4)(a)(x) as a
 2431 disallowed asset for purposes of determining the adequacy of surplus as regards policyholders
 2432 whenever in the judgment of the commissioner the investment so warrants.

2433 Section 13. Section **31A-16-107.5**, which is renumbered from Section 31A-16-108 is
 2434 renumbered and amended to read:

2435 ~~[31A-16-108].~~ **31A-16-107.5. Examination of registered insurers.**

2436 (1) Subject to the limitation contained in this section and the powers which the
 2437 commissioner has under Chapter 2, Administration of the Insurance Laws, relating to the
 2438 examination of insurers, the commissioner has the power to ~~[order any]~~ examine an insurer
 2439 registered under Section **31A-16-105** ~~[to produce the records, books, or other informational~~
 2440 ~~papers in the possession of the insurer or its affiliates which the commissioner considers~~
 2441 ~~necessary]~~ and its affiliates to ascertain the financial condition ~~[or legality of conduct]~~ of the
 2442 insurer~~[- If an insurer fails to comply with this order, the commissioner may examine the~~

2443 affiliates to obtain the information.], including the enterprise risk to the insurer by the ultimate
2444 controlling party, or by the insurance holding company system on a consolidated basis.

2445 ~~[(2) The commissioner shall exercise his power under Subsection (1) only if the~~
2446 ~~examination of the insurer under Chapter 2 is inadequate, or the interests of the policyholders~~
2447 ~~of the insurer may be adversely affected if the commissioner fails to exercise his power.]~~

2448 (2) (a) The commissioner may order an insurer registered under Section 31A-16-105 to
2449 produce the records, books, or other information papers in the possession of the insurer or its
2450 affiliates as are reasonably necessary to determine compliance with this chapter.

2451 (b) To determine compliance with this chapter, the commissioner may order an insurer
2452 registered under Section 31A-16-105 to produce information not in the possession of the
2453 insurer if the insurer can obtain access to the information pursuant to contractual relationships,
2454 statutory obligations, or other methods.

2455 (c) If an insurer cannot obtain the information requested by the commissioner, the
2456 insurer shall provide the commissioner a detailed explanation of the reason that the insurer
2457 cannot obtain the information and the identity of the holder of the information.

2458 (d) Whenever it appears to the commissioner that the detailed explanation is without
2459 merit, the commissioner may require, after notice and hearing, the insurer to pay a penalty of
2460 \$5,000 for each day's delay, or may suspend or revoke the insurer's license.

2461 (3) The commissioner may retain, at the registered insurer's expense, attorneys,
2462 actuaries, accountants, and other experts not otherwise a part of the commissioner's staff, if
2463 they are necessary to assist in the conduct of the examination under Subsection (1). Any
2464 persons so retained are under the direction and control of the commissioner and shall act in a
2465 purely advisory capacity.

2466 (4) ~~[Each]~~ A registered insurer who produces records, books, and papers under
2467 Subsection (1) for examination is liable for and shall pay the expense of the examination under
2468 Section 31A-2-205.

2469 (5) If an insurer fails to comply with an order issued under this section, the
2470 commissioner may:

2471 (a) examine the affiliates to obtain the information; or

2472 (b) issue subpoenas, administer oaths, and examine under oath any person for purposes
2473 of determining compliance with this section.

2474 (6) Upon the failure or refusal of any person to obey a subpoena under Subsection (5),
2475 the commissioner may petition the Third District Court of Salt Lake County to enter an order
2476 compelling the witness to appear and testify or produce documentary evidence. A person shall
2477 be obliged to attend as a witness at the place specified in the subpoena, when subpoenaed,
2478 anywhere within the state. A person subpoenaed is entitled to the same fees and mileage, if
2479 claimed, as a witness in the Third District Court of Salt Lake County, which fees, mileage, and
2480 actual expense, if any, necessarily incurred in securing the attendance of witnesses, and their
2481 testimony, shall be itemized and charged against, and be paid by, the company being examined.

2482 Section 14. Section **31A-16-108.5** is enacted to read:

2483 **31A-16-108.5. Supervisory colleges.**

2484 (1) (a) For an insurer registered under Section [31A-16-105](#) and in accordance with
2485 Subsection (3), the commissioner may participate in a supervisory college for a domestic
2486 insurer that is part of an insurance holding company system with international operations to
2487 determine compliance by the insurer with this chapter. The powers of the commissioner with
2488 respect to supervisory colleges include the following:

2489 (i) initiating the establishment of a supervisory college;

2490 (ii) clarifying the membership and participation of other supervisors in the supervisory
2491 college;

2492 (iii) clarifying the functions of the supervisory college and the role of other regulators,
2493 including the establishment of a group-wide supervisor;

2494 (iv) coordinating the ongoing activities of the supervisory college, including:

2495 (A) planning meetings;

2496 (B) supervisory activities; and

2497 (C) processes for information sharing; and

2498 (v) establishing a crisis management plan.

2499 (2) (a) A registered insurer subject to this section is liable for and shall pay the
2500 reasonable expenses of the commissioner's participation in a supervisory college in accordance
2501 with Subsection (3), including reasonable travel expenses.

2502 (b) For purposes of this section, a supervisory college may be convened as either a
2503 temporary or permanent forum for communication and cooperation between the regulators
2504 charged with supervision of the insurer or its affiliates and the commissioner may establish a

2505 regular assessment to the insurer for the payment of these expenses.

2506 (3) (a) The commissioner may participate in a supervisory college with other regulators
2507 charged with supervision of the insurer or its affiliates, including:

2508 (i) other state regulatory agencies;

2509 (ii) federal regulatory agencies; or

2510 (iii) international regulatory agencies.

2511 (b) The commissioner may enter into agreements in accordance with Section
2512 31A-16-107.5 providing the basis for cooperation between the commissioner and other

2513 regulatory agencies, and the activities of the supervisory college, in order to assess:

2514 (i) the business strategy;

2515 (ii) financial position;

2516 (iii) legal and regulatory position;

2517 (iv) risk exposure; and

2518 (v) management and governance processes.

2519 (c) Nothing in this section shall delegate to the supervisory college the authority of the
2520 commissioner to regulate or supervise the insurer or its affiliates within its jurisdiction.

2521 Section 15. Section **31A-16-109** is amended to read:

2522 **31A-16-109. Confidentiality of information obtained by commissioner.**

2523 ~~[All information]~~ (1) Information, documents, and copies of these ~~[which]~~ that are
2524 obtained by or disclosed to the commissioner or any other person in the course of an
2525 examination or investigation made under Section ~~[31A-16-108]~~ 31A-16-107.5, and all
2526 information reported under Section 31A-16-105, is confidential. It is not subject to subpoena
2527 and may not be made public by the commissioner or any other person, except it may be
2528 provided to the insurance departments of other states, without the prior written consent of the
2529 insurer to which it pertains. The confidentiality of this section does not apply if the
2530 commissioner, after giving the insurer and its affiliates who would be affected by the
2531 disclosure, proper notice and an opportunity to be heard, and determines that the interests of
2532 policyholders, shareholders, or the public will be served by the publication of the information.
2533 In this situation, the commissioner may publish all or any part of the information in any manner
2534 ~~[he]~~ the commissioner considers appropriate.

2535 (2) The commissioner and any person who received documents, materials, or other

2536 information while acting under the authority of the commissioner or with whom the
2537 documents, materials, or other information are shared pursuant to this chapter shall keep
2538 confidential any confidential documents, materials, or information subject to Subsection (1).
2539 (3) (a) To assist in the performance of the commissioner's duties, the commissioner:
2540 (i) may share documents, materials, or other information, including the confidential
2541 documents, materials, or information subject to Subsection (1), with the following if the
2542 recipient agrees in writing to maintain the confidentiality status of the document, material, or
2543 other information, and has verified in writing the legal authority to maintain confidentiality:
2544 (A) other state, federal, and international regulatory agencies;
2545 (B) the National Association of Insurance Commissioners and its affiliates and
2546 subsidiaries; and
2547 (C) state, federal, and international law enforcement authorities, including members of
2548 a supervisory college described in Section [31A-16-108.5](#);
2549 (ii) notwithstanding Subsection (1), may only share confidential documents, material,
2550 or information reported pursuant to Section [31A-16-105](#) with commissioners of states having
2551 statutes or regulations substantially similar to Subsection (1) and who have agreed in writing
2552 not to disclose the documents, material, or information;
2553 (iii) may receive documents, materials, or information, including otherwise
2554 confidential documents, materials, or information from the National Association of Insurance
2555 Commissioners and its affiliates and subsidiaries and from regulatory and law enforcement
2556 officials of other foreign or domestic jurisdictions, and shall maintain as confidential any
2557 document, material, or information received with notice or the understanding that it is
2558 confidential under the laws of the jurisdiction that is the source of the document, material, or
2559 information; and
2560 (iv) shall enter into written agreements with the National Association of Insurance
2561 Commissioners governing sharing and use of information provided pursuant to this chapter
2562 consistent with this Subsection (3) that shall:
2563 (A) specify procedures and protocols regarding the confidentiality and security of
2564 information shared with the National Association of Insurance Commissioners and its affiliates
2565 and subsidiaries pursuant to this chapter, including procedures and protocols for sharing by the
2566 National Association of Insurance Commissioners with other state, federal, or international

2567 regulators;

2568 (B) specify that ownership of information shared with the National Association of
2569 Insurance Commissioners and its affiliates and subsidiaries pursuant to this chapter remains
2570 with the commissioner and the National Association of Insurance Commissioner's use of the
2571 information is subject to the direction of the commissioner;

2572 (C) require prompt notice to be given to an insurer whose confidential information in
2573 the possession of the National Association of Insurance Commissioners pursuant to this chapter
2574 is subject to a request or subpoena to the National Association of Insurance Commissioners for
2575 disclosure or production; and

2576 (D) require the National Association of Insurance Commissioners and its affiliates and
2577 subsidiaries to consent to intervention by an insurer in any judicial or administrative action in
2578 which the National Association of Insurance Commissioners and its affiliates and subsidiaries
2579 may be required to disclose confidential information about the insurer shared with the National
2580 Association of Insurance Commissioners and its affiliates and subsidiaries pursuant to this
2581 chapter.

2582 (4) The sharing of information by the commissioner pursuant to this chapter does not
2583 constitute a delegation of regulatory authority or rulemaking, and the commissioner is solely
2584 responsible for the administration, execution, and enforcement of this chapter.

2585 (5) A waiver of any applicable claim of confidentiality in the documents, materials, or
2586 information does not occur as a result of disclosure to the commissioner under this section or
2587 as a result of sharing as authorized in Subsection (3).

2588 (6) Documents, materials, or other information in the possession or control of the
2589 National Association of Insurance Commissioners pursuant to this chapter are:

2590 (a) confidential, not public records, and not open to public inspection; and

2591 (b) not subject to Title 63G, Chapter 2, Government Records Access and Management
2592 Act.

2593 Section 16. Section **31A-16-112** is enacted to read:

2594 **31A-16-112. Sanctions.**

2595 (1) (a) Notwithstanding Section [31A-2-308](#), the following sanctions apply:

2596 (i) An insurer failing, without just cause, to file a registration statement required by this
2597 chapter is required, after notice and hearing, to pay a penalty of \$10,000 for each day's delay, to

2598 be recovered by the commissioner and the penalty so recovered shall be paid into the General
2599 Fund.

2600 (ii) The maximum penalty under this section is \$250,000.

2601 (b) The commissioner may reduce the penalty if the insurer demonstrates to the
2602 commissioner that the imposition of the penalty would constitute a financial hardship to the
2603 insurer.

2604 (2) A director or officer of an insurance holding company system who knowingly
2605 violates, participates in, or assents to, or who knowingly shall permit any of the officers or
2606 agents of the insurer to engage in transactions or make investments that have not been properly
2607 reported or submitted pursuant to Subsection [31A-16-105\(1\)](#), [31A-16-106\(1\)\(b\)](#), or
2608 [31A-16-106\(2\)](#), or that violates this chapter, shall pay, in the director's or officer's individual
2609 capacity, a civil forfeiture of not more than \$10,000 per violation, notwithstanding Section
2610 [31A-2-308](#), after notice and hearing before the commissioner. In determining the amount of
2611 the civil forfeiture, the commissioner shall take into account the appropriateness of the
2612 forfeiture with respect to the gravity of the violation, the history of previous violations, and
2613 such other matters as justice may require.

2614 (3) Whenever it appears to the commissioner that any insurer subject to this chapter or
2615 a director, officer, employee, or agent of the insurer has engaged in any transaction or entered
2616 into a contract that is subject to Section [31A-16-106](#) and that would not have been approved
2617 had the approval been requested, the commissioner may order the insurer to cease and desist
2618 immediately any further activity under that transaction or contract. After notice and hearing,
2619 the commissioner may also order the insurer to void any contract and restore the status quo if
2620 the action is in the best interest of the policyholders, creditors, or the public.

2621 (4) Whenever it appears to the commissioner that an insurer or any director, officer,
2622 employee, or agent of the insurer has committed a willful violation of this chapter, the
2623 commissioner may refer the case to the appropriate prosecutor. Venue for the criminal action
2624 shall be in the Third District Court of Salt Lake County, against the insurer or the responsible
2625 director, officer, employee, or agent of the insurer. An insurer that willfully violates this
2626 chapter may be fined not more than \$250,000 notwithstanding Section [31A-2-308](#). An
2627 individual who willfully violates this chapter may be fined in the individual's individual
2628 capacity not more than \$100,000 notwithstanding Section [31A-2-308](#) and is guilty of a

2629 third-degree felony.

2630 (5) An officer, director, or employee of an insurance holding company system who
2631 willfully and knowingly subscribes to or makes or causes to be made any false statements, false
2632 reports, or false filings with the intent to deceive the commissioner in the performances of the
2633 commissioner's duties under this chapter, is guilty of a third-degree felony. Any fines imposed
2634 shall be paid by the officer, director, or employee in the officer's, director's, or employee's
2635 individual capacity.

2636 (6) Whenever it appears to the commissioner that a person has committed a violation
2637 of Section 31A-16-103 and that prevents the full understanding of the enterprise risk to the
2638 insurer by affiliates or by the insurance holding company system, the violation may serve as an
2639 independent basis for disapproving dividends or distributions and for placing the insurer under
2640 an order of supervision in accordance with Section 31A-27-503.

2641 Section 17. Section 31A-16-113 is enacted to read:

2642 **31A-16-113. Receivership.**

2643 Whenever it appears to the commissioner that a person has committed a violation of
2644 this chapter that so impairs the financial condition of a domestic insurer as to threaten
2645 insolvency or make the further transaction of business by it hazardous to its policyholders,
2646 creditors, shareholders, or the public, then the commissioner may proceed as provided in
2647 Section 31A-16-114 to take possession of the property of the domestic insurer and to conduct
2648 its business.

2649 Section 18. Section 31A-16-114 is enacted to read:

2650 **31A-16-114. Recovery.**

2651 (1) If an order for liquidation or rehabilitation of a domestic insurer is entered, the
2652 receiver appointed under the order shall have a right to recover on behalf of the insurer:

2653 (a) from any parent corporation, holding company, or person or affiliate who otherwise
2654 controlled the insurer, the amount of distributions other than distributions of shares of the same
2655 class of stock paid by the insurer on its capital stock; or

2656 (b) any payment in the form of a bonus, termination settlement, or extraordinary lump
2657 sum salary adjustment made by the insurer or its subsidiary to a director, officer, or employee,
2658 when the distribution or payment pursuant to Subsection (1)(a) or this Subsection (1)(b) is
2659 made at any time during the one year preceding the petition for liquidation, conservation, or

2660 rehabilitation, as the case may be, subject to the limitations of Subsections (2), (3), and (4).

2661 (2) A distribution may not be recovered if the parent or affiliate shows that when paid
2662 the distribution was lawful and reasonable and that the insurer did not know and could not
2663 reasonably have known that the distribution might adversely affect the ability of the insurer to
2664 fulfill its contractual obligations.

2665 (3) A person who was a parent corporation or holding company or a person who
2666 otherwise controlled the insurer or affiliate at the time the distributions were paid shall be
2667 liable up to the amount of distributions or payments under Subsection (1) that the person
2668 received. A person who otherwise controlled the insurer at the time the distributions were
2669 declared is liable up to the amount of distributions that would have been received if they had
2670 been paid immediately. If two or more persons are liable with respect to the same
2671 distributions, they shall be jointly and severally liable.

2672 (4) The maximum amount recoverable under this section shall be the amount needed in
2673 excess of all other available assets of the impaired or insolvent insurer to pay the contractual
2674 obligations of the impaired or insolvent insurer and to reimburse any guaranty funds.

2675 (5) To the extent that any person liable under Subsection (3) is insolvent or otherwise
2676 fails to pay claims due from the person, its parent corporation, holding company, or person who
2677 otherwise controlled it at the time the distribution was paid, are jointly and severally liable for
2678 any resulting deficiency in the amount recovered from the parent corporation or holding
2679 company or person who otherwise controlled it.

2680 Section 19. Section **31A-16-115** is enacted to read:

2681 **31A-16-115. Revocation, suspension, or nonrenewal of insurer's license.**

2682 Whenever it appears to the commissioner that a person has committed a violation of
2683 this chapter that makes the continued operation of an insurer contrary to the interests of
2684 policyholders or the public, the commissioner may, after giving notice and an opportunity to be
2685 heard, suspend, revoke, or refuse to renew the insurer's license or authority to do business in
2686 this state for such period as the commissioner finds is required for the protection of
2687 policyholders or the public. Any such determination shall be accompanied by specific findings
2688 of fact and conclusions of law.

2689 Section 20. Section **31A-16-116** is enacted to read:

2690 **31A-16-116. Rules and orders.**

2691 The commissioner in accordance with Title 63G, Chapter 3, Utah Administrative
2692 Rulemaking Act, may make rules necessary to carry out this chapter. The commissioner may
2693 issue orders as is necessary to carry out this chapter.

2694 Section 21. Section **31A-16-117** is enacted to read:

2695 **31A-16-117. Judicial review -- Mandamus.**

2696 (1) A person aggrieved by an act, determination, rule, or order or any other action of
2697 the commissioner pursuant to this chapter may seek judicial review in accordance with Title
2698 63G, Chapter 4, Administrative Procedures Act.

2699 (2) The filing of an appeal pursuant to this section shall stay the application of any rule,
2700 order, or other action of the commissioner to the appealing party unless the court, after giving
2701 party notice and an opportunity to be heard, determines that a stay would be detrimental to the
2702 interest of policyholders, shareholders, creditors, or the public.

2703 (3) A person aggrieved by a failure of the commissioner to act or make a determination
2704 required by this chapter may petition the Third District Court of Salt Lake County for writ in
2705 the nature of a mandamus or a peremptory mandamus directing the commissioner to act or
2706 make a determination.

2707 Section 22. Section **31A-16-118** is enacted to read:

2708 **31A-16-118. Conflict with other laws.**

2709 If any law or part of a law of this state is inconsistent with this chapter, this chapter
2710 governs.

2711 Section 23. Section **31A-16-119** is enacted to read:

2712 **31A-16-119. Severability.**

2713 If any chapter, section, or subsection of this chapter or the application of any chapter,
2714 section, or subsection to any person or circumstance is held invalid, the remainder of the
2715 provisions of this chapter shall be given effect without the invalid provision or application.
2716 The provisions of this chapter are severable.

2717 Section 24. Section **31A-21-313** is amended to read:

2718 **31A-21-313. Limitation of actions.**

2719 (1) (a) An action on a written policy or contract of first party insurance shall be
2720 commenced within three years after the inception of the loss.

2721 (b) The inception of the loss on a fidelity bond is the date the insurer first denies all or

2722 part of a claim made under the fidelity bond.

2723 (2) Except as provided in Subsection (1) or elsewhere in this title, the law applicable to
2724 limitation of actions in Title 78B, Chapter 2, Statutes of Limitations, applies to actions on
2725 insurance policies.

2726 (3) An insurance policy may not:

2727 (a) limit the time for beginning an action on the policy to a time less than that
2728 authorized by statute;

2729 (b) prescribe in what court an action may be brought on the policy; or

2730 (c) provide that no action may be brought, subject to permissible arbitration provisions
2731 in contracts.

2732 (4) Unless by verified complaint it is alleged that prejudice to the complainant will
2733 arise from a delay in bringing suit against an insurer, which prejudice is other than the delay
2734 itself, no action may be brought against an insurer on an insurance policy to compel payment
2735 under the policy until the earlier of:

2736 (a) 60 days after proof of loss has been furnished as required under the policy;

2737 (b) waiver by the insurer of proof of loss; or

2738 (c) the insurer's denial of full payment.

2739 (5) The period of limitation is tolled during the period in which the parties conduct an
2740 appraisal or arbitration procedure prescribed by the insurance policy, by law, or as agreed to by
2741 the parties.

2742 Section 25. Section **31A-21-314** is amended to read:

2743 **31A-21-314. Prohibited provisions.**

2744 [~~No~~] (1) An insurance policy subject to this chapter may contain any provision:

2745 [~~(1)~~] (a) requiring it to be construed according to the laws of another jurisdiction
2746 except as necessary to meet the requirements of compulsory insurance laws of other
2747 jurisdictions;

2748 [~~(2)~~] (b) depriving Utah courts of jurisdiction over an action against the insurer, except
2749 as provided in permissible arbitration provisions; or

2750 [~~(3)~~] (c) limiting the right of action against the insurer to less than three years from the
2751 date the cause of action accrues.

2752 (2) For purposes of Subsection (1)(c), the cause of action accrues on a fidelity bond on

2753 the date the insurer first denies all or part of a claim made under the fidelity bond.

2754 Section 26. Section **31A-22-504** is amended to read:

2755 **31A-22-504. Trustee groups.**

2756 (1) Group life insurance policies may be issued to:

2757 (a) policyholders who are the trustees of a fund established by two or more employers,

2758 by one or more labor unions, or similar employee organizations, or by one or more employers

2759 and one or more labor unions or similar employee organizations, to insure employees of the

2760 employers or members of the unions or the organizations for the benefit of persons other than

2761 the employers, the unions, or the organizations~~[-];~~ or

2762 (b) notwithstanding Subsection [31A-22-501\(2\)](#), a Taft Hartley trust created in

2763 accordance with Section 302(c)(5) of the Federal Labor Management Relations Act.

2764 (2) These policies are subject to the following requirements:

2765 ~~[(1)]~~ (a) The persons eligible for insurance are all of the employees of the employers or

2766 all of the members of the unions or organizations, or all of any classes of employees or

2767 members. The policy may include retired employees, elected and appointed officials of a

2768 public agency if the employees of the agency are insured, and individual proprietors or partners

2769 who are employers. The policy may include the trustees or their employees, or both, if their

2770 duties are principally connected with the trusteeship.

2771 ~~[(2)]~~ (b) The premiums for the policy are paid by the policyholders from funds

2772 contributed by the employers, unions, or similar employee organizations, or from funds

2773 contributed by the insured persons, or any combination of these. Except as provided under

2774 Section [31A-22-512](#), a policy on which no part of the premium is contributed by the insured

2775 persons specifically for their insurance is required to insure all eligible persons.

2776 Section 27. Section **31A-22-612** is amended to read:

2777 **31A-22-612. Conversion privileges for insured former spouse.**

2778 (1) An accident and health insurance policy, which in addition to covering the insured

2779 also provides coverage to the spouse of the insured, may not contain a provision for

2780 termination of coverage of a spouse covered under the policy, except by entry of a valid decree

2781 of divorce or annulment between the parties.

2782 (2) Every policy which contains this type of provision shall provide that upon the entry

2783 of the divorce decree the spouse is entitled to have issued an individual policy of accident and

2784 health insurance without evidence of insurability, upon application to the company and
2785 payment of the appropriate premium. The policy shall provide the coverage being issued
2786 which is most nearly similar to the terminated coverage. Probationary or waiting periods in the
2787 policy are considered satisfied to the extent the coverage was in force under the prior policy.

2788 (3) When the insurer receives actual notice that the coverage of a spouse is to be
2789 terminated because of a divorce or annulment, the insurer shall promptly provide the spouse
2790 written notification of the right to obtain individual coverage as provided in Subsection (2), the
2791 premium amounts required, and the manner, place, and time in which premiums may be paid.
2792 The premium is determined in accordance with the insurer's table of premium rates applicable
2793 to the age and class of risk of the persons to be covered and to the type and amount of coverage
2794 provided. If the spouse applies and tenders the first monthly premium to the insurer within 30
2795 days after receiving the notice provided by this Subsection (3), the spouse shall receive
2796 individual coverage that commences immediately upon termination of coverage under the
2797 insured's policy.

2798 (4) This section does not apply to accident and health insurance policies offered on a
2799 group blanket basis or a health benefit plan.

2800 Section 28. Section **31A-22-620** is amended to read:

2801 **31A-22-620. Medicare Supplement Insurance Minimum Standards Act.**

2802 (1) As used in this section:

2803 (a) "Applicant" means:

2804 (i) in the case of an individual Medicare supplement policy, the person who seeks to
2805 contract for insurance benefits; and

2806 (ii) in the case of a group Medicare supplement policy, the proposed certificate holder.

2807 (b) "Certificate" means any certificate delivered or issued for delivery in this state
2808 under a group Medicare supplement policy.

2809 (c) "Certificate form" means the form on which the certificate is delivered or issued for
2810 delivery by the issuer.

2811 (d) "Issuer" includes insurance companies, fraternal benefit societies, health care
2812 service plans, health maintenance organizations, and any other entity delivering, or issuing for
2813 delivery in this state, Medicare supplement policies or certificates.

2814 (e) "Medicare" means the "Health Insurance for the Aged Act," Title XVIII of the

2815 Social Security Amendments of 1965, as then constituted or later amended.

2816 (f) "Medicare Supplement Policy":

2817 (i) means a group or individual policy of [~~disability~~] health insurance, other than a
2818 policy issued pursuant to a contract under Section 1876 of the federal Social Security Act, 42
2819 U.S.C. [~~Section~~] Sec. 1395 et seq., or an issued policy under a demonstration project specified
2820 in 42 U.S.C. [~~Section~~] Sec. 1395ss(g)(1), that is advertised, marketed, or designed primarily as
2821 a supplement to reimbursements under Medicare for the hospital, medical, or surgical expenses
2822 of persons eligible for Medicare; and

2823 (ii) does not include Medicare Advantage plans established under Medicare Part C,
2824 outpatient prescription drug plans established under Medicare Part D, or any health care
2825 prepayment plan that provides benefits pursuant to an agreement under Section 1833(a)(1)(A)
2826 of the Social Security Act.

2827 (g) "Policy form" means the form on which the policy is delivered or issued for
2828 delivery by the issuer.

2829 (2) (a) Except as otherwise specifically provided, this section applies to:

2830 (i) all Medicare supplement policies delivered or issued for delivery in this state on or
2831 after the effective date of this section;

2832 (ii) all certificates issued under group Medicare supplement policies, that have been
2833 delivered or issued for delivery in this state on or after the effective date of this section; and

2834 (iii) policies or certificates that were in force prior to the effective date of this section,
2835 with respect to requirements for benefits, claims payment, and policy reporting practice under
2836 Subsection (3)(d), and loss ratios under Subsection (4).

2837 (b) This section does not apply to a policy of one or more employers or labor
2838 organizations, or of the trustees of a fund established by one or more employers or labor
2839 organizations, or a combination of employers and labor unions, for employees or former
2840 employees or a combination of employees and former employees, or for members or former
2841 members of the labor organizations, or a combination of members and former members of
2842 labor organizations.

2843 (c) This section does not prohibit, nor does it apply to insurance policies or health care
2844 benefit plans, including group conversion policies, provided to Medicare eligible persons that
2845 are not marketed or held out to be Medicare supplement policies or benefit plans.

2846 (3) (a) A Medicare supplement policy or certificate in force in the state may not contain
2847 benefits that duplicate benefits provided by Medicare.

2848 (b) Notwithstanding any other provision of law of this state, a Medicare supplement
2849 policy or certificate may not exclude or limit benefits for loss incurred more than six months
2850 from the effective date of coverage because it involved a preexisting condition. The policy or
2851 certificate may not define a preexisting condition more restrictively than: "A condition for
2852 which medical advice was given or treatment was recommended by or received from a
2853 physician within six months before the effective date of coverage."

2854 (c) The commissioner shall adopt rules to establish specific standards for policy
2855 provisions of Medicare supplement policies and certificates. The standards adopted shall be in
2856 addition to and in accordance with applicable laws of this state. A requirement of this title
2857 relating to minimum required policy benefits, other than the minimum standards contained in
2858 this section, may not apply to Medicare supplement policies and certificates. The standards
2859 may include:

- 2860 (i) terms of renewability;
- 2861 (ii) initial and subsequent conditions of eligibility;
- 2862 (iii) nonduplication of coverage;
- 2863 (iv) probationary periods;
- 2864 (v) benefit limitations, exceptions, and reductions;
- 2865 (vi) elimination periods;
- 2866 (vii) requirements for replacement;
- 2867 (viii) recurrent conditions; and
- 2868 (ix) definitions of terms.

2869 (d) The commissioner shall adopt rules establishing minimum standards for benefits,
2870 claims payment, marketing practices, compensation arrangements, and reporting practices for
2871 Medicare supplement policies and certificates.

2872 (e) The commissioner may adopt rules to conform Medicare supplement policies and
2873 certificates to the requirements of federal law and regulations, including:

- 2874 (i) requiring refunds or credits if the policies do not meet loss ratio requirements;
- 2875 (ii) establishing a uniform methodology for calculating and reporting loss ratios;
- 2876 (iii) assuring public access to policies, premiums, and loss ratio information of issuers

2877 of Medicare supplement insurance;

2878 (iv) establishing a process for approving or disapproving policy forms and certificate
2879 forms and proposed premium increases;

2880 (v) establishing a policy for holding public hearings prior to approval of premium
2881 increases;

2882 (vi) establishing standards for Medicare select policies and certificates; and

2883 (vii) nondiscrimination for genetic testing or genetic information.

2884 (f) The commissioner may adopt rules that prohibit policy provisions not otherwise
2885 specifically authorized by statute that, in the opinion of the commissioner, are unjust, unfair, or
2886 unfairly discriminatory to any person insured or proposed to be insured under a Medicare
2887 supplement policy or certificate.

2888 (4) Medicare supplement policies shall return to policyholders benefits that are
2889 reasonable in relation to the premium charged. The commissioner shall make rules to establish
2890 minimum standards for loss ratios of Medicare supplement policies on the basis of incurred
2891 claims experience, or incurred health care expenses where coverage is provided by a health
2892 maintenance organization on a service basis rather than on a reimbursement basis, and earned
2893 premiums in accordance with accepted actuarial principles and practices.

2894 (5) (a) To provide for full and fair disclosure in the sale of Medicare supplement
2895 policies, a Medicare supplement policy or certificate may not be delivered in this state unless
2896 an outline of coverage is delivered to the applicant at the time application is made.

2897 (b) The commissioner shall prescribe the format and content of the outline of coverage
2898 required by Subsection (5)(a).

2899 (c) For purposes of this section, "format" means style arrangements and overall
2900 appearance, including such items as the size, color, and prominence of type and arrangement of
2901 text and captions. The outline of coverage shall include:

2902 (i) a description of the principal benefits and coverage provided in the policy;

2903 (ii) a statement of the renewal provisions, including any reservation by the issuer of a
2904 right to change premiums; and disclosure of the existence of any automatic renewal premium
2905 increases based on the policyholder's age; and

2906 (iii) a statement that the outline of coverage is a summary of the policy issued or
2907 applied for and that the policy should be consulted to determine governing contractual

2908 provisions.

2909 (d) The commissioner may make rules for captions or notice if the commissioner finds
2910 that the rules are:

2911 (i) in the public interest; and

2912 (ii) designed to inform prospective insureds that particular insurance coverages are not
2913 Medicare supplement coverages, for all accident and health insurance policies sold to persons
2914 eligible for Medicare, other than:

2915 (A) a medicare supplement policy; or

2916 (B) a disability income policy.

2917 (e) The commissioner may prescribe by rule a standard form and the contents of an
2918 informational brochure for persons eligible for Medicare, that is intended to improve the
2919 buyer's ability to select the most appropriate coverage and improve the buyer's understanding of
2920 Medicare. Except in the case of direct response insurance policies, the commissioner may
2921 require by rule that the informational brochure be provided concurrently with delivery of the
2922 outline of coverage to any prospective insureds eligible for Medicare. With respect to direct
2923 response insurance policies, the commissioner may require by rule that the prescribed brochure
2924 be provided upon request to any prospective insureds eligible for Medicare, but in no event
2925 later than the time of policy delivery.

2926 (f) The commissioner may adopt reasonable rules to govern the full and fair disclosure
2927 of the information in connection with the replacement of accident and health policies,
2928 subscriber contracts, or certificates by persons eligible for Medicare.

2929 (6) Notwithstanding Subsection (1), Medicare supplement policies and certificates
2930 shall have a notice prominently printed on the first page of the policy or certificate, or attached
2931 to the front page, stating in substance that the applicant has the right to return the policy or
2932 certificate within 30 days of its delivery and to have the premium refunded if, after examination
2933 of the policy or certificate, the applicant is not satisfied for any reason. Any refund made
2934 pursuant to this section shall be paid directly to the applicant by the issuer in a timely manner.

2935 (7) Every issuer of Medicare supplement insurance policies or certificates in this state
2936 shall provide a copy of any Medicare supplement advertisement intended for use in this state,
2937 whether through written or broadcast medium, to the commissioner for review.

2938 (8) The commissioner may adopt rules to conform Medicare and Medicare supplement

2939 policies and certificates to the marketing requirements of federal law and regulation.

2940 Section 29. Section **31A-23a-102** is amended to read:

2941 **31A-23a-102. Definitions.**

2942 As used in this chapter:

2943 (1) "Bail bond producer" is as defined in Section [31A-35-102](#).

2944 (2) "Designated home state" means the state or territory of the United States or the

2945 District of Columbia:

2946 (a) in which an insurance producer, limited lines producer, consultant, managing
2947 general agent, or reinsurance intermediary licensee does not maintain the licensee's principal:

2948 (i) place of residence; or

2949 (ii) place of business;

2950 (b) if the resident state, territory, or District of Columbia of the licensee does not
2951 license for the line of authority sought, the licensee has qualified for the license as if the person
2952 were a resident in the state, territory, or District of Columbia described in Subsection (2)(a),

2953 including an applicable:

2954 (i) examination requirement;

2955 (ii) fingerprint background check requirement; and

2956 (iii) continuing education requirement; and

2957 (c) if the licensee has designated the state, territory, or District of Columbia as the
2958 designated home state.

2959 [(2)] (3) "Home state" means:

2960 (a) a state or territory of the United States or the District of Columbia in which an
2961 insurance producer, limited lines producer, consultant, managing general agent, or reinsurance
2962 intermediary licensee:

2963 [(a)] (i) maintains the [~~insurance producer's~~] licensee's principal:

2964 [(i)] (A) place of residence; or

2965 [(ii)] (B) place of business; and

2966 [(b)] (ii) is licensed to act as [~~an insurance producer~~] a resident licensee; or

2967 (b) if the resident state, territory, or the District of Columbia described in Subsection
2968 (3)(a) does not license for the line of authority sought, a state, territory, or the District of
2969 Columbia:

- 2970 (i) in which the licensee is licensed;
- 2971 (ii) in which the licensee is in good standing; and
- 2972 (iii) that the licensee has designated as the licensee's designated home state.
- 2973 ~~[(3)]~~ (4) "Insurer" is as defined in Section 31A-1-301, except that the following
- 2974 persons or similar persons are not insurers for purposes of Part 7, Producer Controlled Insurers:
- 2975 (a) a risk retention group as defined in:
- 2976 (i) the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499;
- 2977 (ii) the Risk Retention Act, 15 U.S.C. Sec. 3901 et seq.; and
- 2978 (iii) Chapter 15, Part 2, Risk Retention Groups Act;
- 2979 (b) a residual market pool;
- 2980 (c) a joint underwriting authority or association; and
- 2981 (d) a captive insurer.
- 2982 ~~[(4)]~~ (5) "License" is defined in Section 31A-1-301.
- 2983 ~~[(5)]~~ (6) (a) "Managing general agent" means a person that:
- 2984 (i) manages all or part of the insurance business of an insurer, including the
- 2985 management of a separate division, department, or underwriting office;
- 2986 (ii) acts as an agent for the insurer whether it is known as a managing general agent,
- 2987 manager, or other similar term;
- 2988 (iii) produces and underwrites an amount of gross direct written premium equal to, or
- 2989 more than, 5% of the policyholder surplus as reported in the last annual statement of the insurer
- 2990 in any one quarter or year:
- 2991 (A) with or without the authority;
- 2992 (B) separately or together with an affiliate; and
- 2993 (C) directly or indirectly; and
- 2994 (iv) (A) adjusts or pays claims in excess of an amount determined by the
- 2995 commissioner; or
- 2996 (B) negotiates reinsurance on behalf of the insurer.
- 2997 (b) Notwithstanding Subsection ~~[(5)]~~ (6)(a), the following persons may not be
- 2998 considered as managing general agent for the purposes of this chapter:
- 2999 (i) an employee of the insurer;
- 3000 (ii) a United States manager of the United States branch of an alien insurer;

3001 (iii) an underwriting manager that, pursuant to contract:
3002 (A) manages all the insurance operations of the insurer;
3003 (B) is under common control with the insurer;
3004 (C) is subject to Chapter 16, Insurance Holding Companies; and
3005 (D) is not compensated based on the volume of premiums written; and
3006 (iv) the attorney-in-fact authorized by and acting for the subscribers of a reciprocal
3007 insurer or inter-insurance exchange under powers of attorney.

3008 [~~(6)~~] (7) "Negotiate" means the act of conferring directly with or offering advice
3009 directly to a purchaser or prospective purchaser of a particular contract of insurance concerning
3010 a substantive benefit, term, or condition of the contract if the person engaged in that act:

- 3011 (a) sells insurance; or
- 3012 (b) obtains insurance from insurers for purchasers.

3013 [~~(7)~~] (8) "Reinsurance intermediary" means:

- 3014 (a) a reinsurance intermediary-broker; or
- 3015 (b) a reinsurance intermediary-manager.

3016 [~~(8)~~] (9) "Reinsurance intermediary-broker" means a person other than an officer or
3017 employee of the ceding insurer, firm, association, or corporation who solicits, negotiates, or
3018 places reinsurance cessions or retrocessions on behalf of a ceding insurer without the authority
3019 or power to bind reinsurance on behalf of the insurer.

3020 [~~(9)~~] (10) (a) "Reinsurance intermediary-manager" means a person who:

3021 (i) has authority to bind or who manages all or part of the assumed reinsurance
3022 business of a reinsurer, including the management of a separate division, department, or
3023 underwriting office; and

3024 (ii) acts as an agent for the reinsurer whether the person is known as a reinsurance
3025 intermediary-manager, manager, or other similar term.

3026 (b) Notwithstanding Subsection [~~(9)~~] (10)(a), the following persons may not be
3027 considered reinsurance intermediary-managers for the purpose of this chapter with respect to
3028 the reinsurer:

- 3029 (i) an employee of the reinsurer;
- 3030 (ii) a United States manager of the United States branch of an alien reinsurer;
- 3031 (iii) an underwriting manager that, pursuant to contract:

- 3032 (A) manages all the reinsurance operations of the reinsurer;
- 3033 (B) is under common control with the reinsurer;
- 3034 (C) is subject to Chapter 16, Insurance Holding Companies; and
- 3035 (D) is not compensated based on the volume of premiums written; and
- 3036 (iv) the manager of a group, association, pool, or organization of insurers that:
- 3037 (A) engage in joint underwriting or joint reinsurance; and
- 3038 (B) are subject to examination by the insurance commissioner of the state in which the
- 3039 manager's principal business office is located.

3040 [~~(10)~~] (11) "Resident" is as defined by rule made by the commissioner in accordance
3041 with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

3042 [~~(11)~~] (12) "Search" means a license subline of authority in conjunction with the title
3043 insurance line of authority that allows a person to issue title insurance commitments or policies
3044 on behalf of a title insurer.

3045 [~~(12)~~] (13) "Sell" means to exchange a contract of insurance:

- 3046 (a) by any means;
- 3047 (b) for money or its equivalent; and
- 3048 (c) on behalf of an insurance company.

3049 [~~(13)~~] (14) "Solicit" means:

- 3050 (a) attempting to sell insurance;
- 3051 (b) asking or urging a person to apply for:
 - 3052 (i) a particular kind of insurance; and
 - 3053 (ii) insurance from a particular insurance company;
- 3054 (c) advertising insurance, including advertising for the purpose of obtaining leads for
3055 the sale of insurance; or
- 3056 (d) holding oneself out as being in the insurance business.

3057 [~~(14)~~] (15) "Terminate" means:

- 3058 (a) the cancellation of the relationship between:
 - 3059 (i) an individual licensee or agency licensee and a particular insurer; or
 - 3060 (ii) an individual licensee and a particular agency licensee; or
- 3061 (b) the termination of:
 - 3062 (i) an individual licensee's or agency licensee's authority to transact insurance on behalf

3063 of a particular insurance company; or

3064 (ii) an individual licensee's authority to transact insurance on behalf of a particular
3065 agency licensee.

3066 ~~[(15)]~~ (16) "Title marketing representative" means a person who:

3067 (a) represents a title insurer in soliciting, requesting, or negotiating the placing of:

3068 (i) title insurance; or

3069 (ii) escrow services; and

3070 (b) does not have a search or escrow license as provided in Section 31A-23a-106.

3071 ~~[(16)]~~ (17) "Uniform application" means the version of the National Association of
3072 Insurance Commissioners' uniform application for resident and nonresident producer licensing
3073 at the time the application is filed.

3074 ~~[(17)]~~ (18) "Uniform business entity application" means the version of the National
3075 Association of Insurance Commissioners' uniform business entity application for resident and
3076 nonresident business entities at the time the application is filed.

3077 Section 30. Section 31A-23a-113 is amended to read:

3078 **31A-23a-113. License lapse and voluntary surrender.**

3079 (1) (a) A license issued under this chapter, including a line of authority, shall lapse if
3080 the licensee fails to:

3081 (i) pay when due a fee under Section 31A-3-103;

3082 (ii) complete continuing education requirements under Section 31A-23a-202 before
3083 submitting the license renewal application;

3084 (iii) submit a completed renewal application as required by Section 31A-23a-104;

3085 (iv) submit additional documentation required to complete the licensing process as
3086 related to a specific license type or line of authority; or

3087 (v) maintain an active license in a licensee's home state if the licensee is a nonresident
3088 licensee.

3089 (b) (i) A licensee whose license lapses may request reinstatement of the license and
3090 line of authority no more than one year after the day on which the license lapses.

3091 (ii) A licensee whose license lapses due to the following may request an action
3092 described in Subsection (1)(b)~~[(ii)]~~(iii):

3093 (A) military service;

3094 (B) voluntary service for a period of time designated by the person for whom the
3095 licensee provides voluntary service; or

3096 (C) some other extenuating circumstances, such as long-term medical disability.

3097 ~~(i)~~ (iii) A licensee described in Subsection (1)(b)~~(i)~~(ii) may request:

3098 (A) reinstatement of the license and line of authority no later than one year after the
3099 day on which the license lapses; and

3100 (B) waiver of any of the following imposed for failure to comply with renewal
3101 procedures:

3102 (I) an examination requirement;

3103 (II) reinstatement fees set under Section 31A-3-103;

3104 (III) continuing education requirements; or

3105 (IV) other sanction imposed for failure to comply with renewal procedures.

3106 (2) If a license or line of authority issued under this chapter is voluntarily surrendered,
3107 the license or line of authority may be reinstated:

3108 (a) during the license period in which the license or line of authority is voluntarily
3109 surrendered; and

3110 (b) no later than one year after the day on which the license or line of authority is
3111 voluntarily surrendered.

3112 Section 31. Section 31A-23a-402 is amended to read:

3113 **31A-23a-402. Unfair marketing practices -- Communication -- Unfair**
3114 **discrimination -- Coercion or intimidation -- Restriction on choice.**

3115 (1) (a) (i) Any of the following may not make or cause to be made any communication
3116 that contains false or misleading information, relating to an insurance product or contract, any
3117 insurer, or any licensee under this title, including information that is false or misleading
3118 because it is incomplete:

3119 (A) a person who is or should be licensed under this title;

3120 (B) an employee or producer of a person described in Subsection (1)(a)(i)(A);

3121 (C) a person whose primary interest is as a competitor of a person licensed under this
3122 title; and

3123 (D) a person on behalf of any of the persons listed in this Subsection (1)(a)(i).

3124 (ii) As used in this Subsection (1), "false or misleading information" includes:

3125 (A) assuring the nonobligatory payment of future dividends or refunds of unused
3126 premiums in any specific or approximate amounts, but reporting fully and accurately past
3127 experience is not false or misleading information; and

3128 (B) with intent to deceive a person examining it:

3129 (I) filing a report;

3130 (II) making a false entry in a record; or

3131 (III) wilfully refraining from making a proper entry in a record.

3132 (iii) A licensee under this title may not:

3133 (A) use any business name, slogan, emblem, or related device that is misleading or
3134 likely to cause the insurer or other licensee to be mistaken for another insurer or other licensee
3135 already in business; or

3136 (B) use any name, advertisement or other insurance promotional material that would
3137 cause a reasonable person to mistakenly believe that a state or federal government agency,
3138 including the Health Insurance Exchange, also called the "Utah Health Exchange[;]" or
3139 "Avenue H," created in Section [63M-1-2504](#), the Comprehensive Health Insurance Pool
3140 created in Chapter 29, Comprehensive Health Insurance Pool Act, and the Children's Health
3141 Insurance Program created in Title 26, Chapter 40, Utah Children's Health Insurance Act:

3142 (I) is responsible for the insurance sales activities of the person;

3143 (II) stands behind the credit of the person;

3144 (III) guarantees any returns on insurance products of or sold by the person; or

3145 (IV) is a source of payment of any insurance obligation of or sold by the person.

3146 (iv) A person who is not an insurer may not assume or use any name that deceptively
3147 implies or suggests that person is an insurer.

3148 (v) A person other than persons licensed as health maintenance organizations under
3149 Chapter 8 may not use the term "Health Maintenance Organization" or "HMO" in referring to
3150 itself.

3151 (b) A licensee's violation creates a rebuttable presumption that the violation was also
3152 committed by the insurer if:

3153 (i) the licensee under this title distributes cards or documents, exhibits a sign, or
3154 publishes an advertisement that violates Subsection (1)(a), with reference to a particular
3155 insurer:

- 3156 (A) that the licensee represents; or
3157 (B) for whom the licensee processes claims; and
3158 (ii) the cards, documents, signs, or advertisements are supplied or approved by that
3159 insurer.
- 3160 (2) (a) A title insurer, individual title insurance producer, or agency title insurance
3161 producer or any officer or employee of the title insurer, individual title insurance producer, or
3162 agency title insurance producer may not pay, allow, give, or offer to pay, allow, or give,
3163 directly or indirectly, as an inducement to obtaining any title insurance business:
- 3164 (i) any rebate, reduction, or abatement of any rate or charge made incident to the
3165 issuance of the title insurance;
- 3166 (ii) any special favor or advantage not generally available to others;
- 3167 (iii) any money or other consideration, except if approved under Section [31A-2-405](#); or
3168 (iv) material inducement.
- 3169 (b) "Charge made incident to the issuance of the title insurance" includes escrow
3170 charges, and any other services that are prescribed in rule by the Title and Escrow Commission
3171 after consultation with the commissioner and subject to Section [31A-2-404](#).
- 3172 (c) An insured or any other person connected, directly or indirectly, with the
3173 transaction may not knowingly receive or accept, directly or indirectly, any benefit referred to
3174 in Subsection (2)(a), including:
- 3175 (i) a person licensed under Title 61, Chapter 2c, Utah Residential Mortgage Practices
3176 and Licensing Act;
- 3177 (ii) a person licensed under Title 61, Chapter 2f, Real Estate Licensing and Practices
3178 Act;
- 3179 (iii) a builder;
- 3180 (iv) an attorney; or
3181 (v) an officer, employee, or agent of a person listed in this Subsection (2)(c)(iii).
- 3182 (3) (a) An insurer may not unfairly discriminate among policyholders by charging
3183 different premiums or by offering different terms of coverage, except on the basis of
3184 classifications related to the nature and the degree of the risk covered or the expenses involved.
- 3185 (b) Rates are not unfairly discriminatory if they are averaged broadly among persons
3186 insured under a group, blanket, or franchise policy, and the terms of those policies are not

3187 unfairly discriminatory merely because they are more favorable than in similar individual
3188 policies.

3189 (4) (a) This Subsection (4) applies to:

3190 (i) a person who is or should be licensed under this title;

3191 (ii) an employee of that licensee or person who should be licensed;

3192 (iii) a person whose primary interest is as a competitor of a person licensed under this
3193 title; and

3194 (iv) one acting on behalf of any person described in Subsections (4)(a)(i) through (iii).

3195 (b) A person described in Subsection (4)(a) may not commit or enter into any
3196 agreement to participate in any act of boycott, coercion, or intimidation that:

3197 (i) tends to produce:

3198 (A) an unreasonable restraint of the business of insurance; or

3199 (B) a monopoly in that business; or

3200 (ii) results in an applicant purchasing or replacing an insurance contract.

3201 (5) (a) (i) Subject to Subsection (5)(a)(ii), a person may not restrict in the choice of an
3202 insurer or licensee under this chapter, another person who is required to pay for insurance as a
3203 condition for the conclusion of a contract or other transaction or for the exercise of any right
3204 under a contract.

3205 (ii) A person requiring coverage may reserve the right to disapprove the insurer or the
3206 coverage selected on reasonable grounds.

3207 (b) The form of corporate organization of an insurer authorized to do business in this
3208 state is not a reasonable ground for disapproval, and the commissioner may by rule specify
3209 additional grounds that are not reasonable. This Subsection (5) does not bar an insurer from
3210 declining an application for insurance.

3211 (6) A person may not make any charge other than insurance premiums and premium
3212 financing charges for the protection of property or of a security interest in property, as a
3213 condition for obtaining, renewing, or continuing the financing of a purchase of the property or
3214 the lending of money on the security of an interest in the property.

3215 (7) (a) A licensee under this title may not refuse or fail to return promptly all indicia of
3216 agency to the principal on demand.

3217 (b) A licensee whose license is suspended, limited, or revoked under Section

3218 31A-2-308, 31A-23a-111, or 31A-23a-112 may not refuse or fail to return the license to the
3219 commissioner on demand.

3220 (8) (a) A person may not engage in an unfair method of competition or any other unfair
3221 or deceptive act or practice in the business of insurance, as defined by the commissioner by
3222 rule, after a finding that the method of competition, the act, or the practice:

- 3223 (i) is misleading;
- 3224 (ii) is deceptive;
- 3225 (iii) is unfairly discriminatory;
- 3226 (iv) provides an unfair inducement; or
- 3227 (v) unreasonably restrains competition.

3228 (b) Notwithstanding Subsection (8)(a), for purpose of the title insurance industry, the
3229 Title and Escrow Commission shall make rules, subject to Section 31A-2-404, that define an
3230 unfair method of competition or unfair or deceptive act or practice after a finding that the
3231 method of competition, the act, or the practice:

- 3232 (i) is misleading;
- 3233 (ii) is deceptive;
- 3234 (iii) is unfairly discriminatory;
- 3235 (iv) provides an unfair inducement; or
- 3236 (v) unreasonably restrains competition.

3237 Section 32. Section 31A-23b-206 is amended to read:

3238 **31A-23b-206. Continuing education requirements.**

3239 (1) The commissioner shall, by rule, prescribe continuing education requirements for a
3240 navigator.

3241 (2) (a) The commissioner may not require a degree from an institution of higher
3242 education as part of continuing education.

3243 (b) The commissioner may state a continuing education requirement in terms of hours
3244 of instruction received in:

- 3245 (i) accident and health insurance;
- 3246 (ii) qualification for and enrollment in public programs;
- 3247 (iii) qualification for and enrollment in premium subsidies;
- 3248 (iv) cultural competency;

3249 (v) conflict of interest standards; and

3250 (vi) other exchange functions.

3251 (3) (a) For a navigator line of authority, continuing education requirements shall
3252 require:

3253 (i) that a licensee complete 12 credit hours of continuing education for every one-year
3254 licensing period;

3255 (ii) that at least two of the 12 credit hours described in Subsection (3)(a)(i) be ethics
3256 courses;

3257 (iii) that at least one of the 12 credit hours described in Subsection (3)(a)(i) be training
3258 on defined contribution arrangements and the use of the small employer health insurance
3259 exchange; and

3260 (iv) that a licensee complete the annual navigator training and certification program
3261 developed by the Centers for Medicare and Medicaid Services.

3262 (b) For a certified application counselor, the continuing education requirements shall
3263 require:

3264 (i) that a licensee complete six credit hours of continuing education for every one-year
3265 licensing period;

3266 (ii) that at least two of the six credit hours described in Subsection (3)(b)(i) be on
3267 ethics courses;

3268 (iii) that at least one of the six credit hours described in Subsection (3)(b)(i) be training
3269 on defined contribution arrangements and the use of the small employer health insurance
3270 exchange; and

3271 (iv) that a licensee complete the annual certified application counselor training and
3272 certification program developed by the Centers for Medicare and Medicaid Services.

3273 (c) An hour of continuing education in accordance with Subsections (3)(a)(i) and (b)(i)
3274 may be obtained through:

3275 (i) classroom attendance;

3276 (ii) home study;

3277 (iii) watching a video recording; or

3278 (iv) another method approved by rule.

3279 (d) A licensee may obtain continuing education hours at any time during the one-year

3280 license period.

3281 (e) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
3282 commissioner shall, by rule, authorize one or more continuing education providers, including a
3283 state or national professional producer or consultant associations, to:

3284 (i) offer a qualified program on a geographically accessible basis; and

3285 (ii) collect a reasonable fee for funding and administration of a continuing education
3286 program, subject to the review and approval of the commissioner.

3287 (4) The commissioner shall approve a continuing education provider or a continuing
3288 education course that satisfies the requirements of this section.

3289 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
3290 commissioner shall by rule establish the procedures for continuing education provider
3291 registration and course approval.

3292 (6) This section applies only to a navigator who is a natural person.

3293 (7) A navigator shall keep documentation of completing the continuing education
3294 requirements of this section for [~~two years~~] one year after the end of the [~~two-year~~] one-year
3295 licensing period to which the continuing education applies.

3296 Section 33. Section ~~31A-25-302.5~~ is enacted to read:

3297 **31A-25-302.5. Place of business and residence address.**

3298 (1) A third-party administrator licensed under this chapter shall register and maintain
3299 with the commissioner:

3300 (a) the address and one or more telephone numbers of the licensee's principal place of
3301 business;

3302 (b) a valid business email address at which the commissioner may contact the licensee;
3303 and

3304 (c) if the licensee is an individual, the licensee's residence address and telephone
3305 number.

3306 (2) A licensee shall notify the commissioner within 30 days of a change of any of the
3307 following required to be registered with the commissioner under this section:

3308 (a) an address;

3309 (b) a telephone number; or

3310 (c) a business email address.

3311 Section 34. Section 31A-27a-116 is amended to read:

3312 **31A-27a-116. Financial reporting.**

3313 (1) (a) The receiver shall comply with all requirements for receivership financial
3314 reporting in this section and as may be specified by the commissioner by rule or ordered by the
3315 court within:

3316 (i) 180 days after the day on which the receivership court enters an order of
3317 receivership; and

3318 (ii) 45 days following each calendar quarter after the period specified in Subsection
3319 (1)(a)(i).

3320 (b) The rule described in this Subsection (1) shall:

3321 (i) comply with this section;

3322 (ii) be made in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
3323 Act; and

3324 (iii) require the receiver to file any financial report with the receivership court in
3325 addition to any other person specified in the rule.

3326 (c) A financial report shall include, at a minimum, a statement of:

3327 (i) the assets and liabilities of the insurer;

3328 (ii) the changes in those assets and liabilities; and

3329 (iii) all funds received or disbursed by the receiver during that reporting period.

3330 (d) The receiver may qualify a financial report or provide notes to the financial
3331 statement for further explanation.

3332 (e) The receivership court may order the receiver to provide any additional information
3333 as the receivership court considers appropriate.

3334 (2) Each affected guaranty association shall file one or more reports with the liquidator:

3335 (a) (i) within 180 days after the day on which the receivership court enters an order of
3336 liquidation; and

3337 (ii) (A) within 45 days following each calendar quarter after the period described in
3338 Subsection (2)(a)(i); or

3339 (B) at an interval:

3340 (I) agreed to between the liquidator and the affected guaranty association; or

3341 (II) required by the receivership court; and

3342 (b) in no event less than annually.

3343 (3) For good cause shown, the receivership court may grant:

3344 (a) relief for an extension or modification of time to comply with Subsection (1) or (2);

3345 or

3346 (b) such other relief as may be appropriate.

3347 Section 35. Section **31A-28-213** is amended to read:

3348 **31A-28-213. Miscellaneous provisions.**

3349 (1) (a) Any person who has a claim against an insurer, whether or not the insurer is a
3350 member insurer, under any provision in an insurance policy, other than a policy of an insolvent
3351 insurer that is also a covered claim, is required to first exhaust that person's right under that
3352 person's policy.

3353 (b) Any amount payable on a covered claim under this part under an insurance policy is
3354 reduced by the amount of any recovery under the insurance policy described in Subsection
3355 (1)(a).

3356 (c) (i) Except as provided in Subsection (1)(c)(ii) a person having a claim that may be
3357 recovered under more than one insurance guaranty association or its equivalent shall first seek
3358 recovery from the association of the place of residence of the insured.

3359 (ii) If the person's claim is:

3360 (A) a first-party claim for damage to property with a permanent location, the person
3361 shall seek recovery first from the association of the location of the property; and

3362 (B) a workers' compensation claim, the person shall seek recovery first from the
3363 association of the residence of the claimant.

3364 (iii) Any recovery under this part shall be reduced by the amount of recovery from any
3365 other insurance guaranty association or its equivalent.

3366 (2) An insurer may not exercise any right of subrogation against an insolvent insurer's
3367 insured if exercise of the right would require the insured, or a guaranty fund under this chapter,
3368 to pay an amount the insolvent insurer is obligated to pay under an insurance policy issued to
3369 the insured, except that an insurer may exercise a right of subrogation for the amount the
3370 subrogation claim exceeds the guaranty association obligation limitations.

3371 [~~2~~] (3) This part may not be construed to reduce the liability for unpaid assessments of
3372 the insureds of an impaired or insolvent insurer operating under a plan with assessment

3373 liability.

3374 ~~[(3)]~~ (4) (a) Records shall be kept of all negotiations and meetings in which the
3375 association or its representatives are involved to discuss the activities of the association in
3376 carrying out the association's powers and duties under Section 31A-28-207. Records of these
3377 negotiations or meetings shall be made public only:

3378 (i) upon the termination of a liquidation, rehabilitation, or conservation proceeding
3379 involving the insolvent insurer;

3380 (ii) the termination of the insolvency of the insurer; or

3381 (iii) the order of a court of competent jurisdiction.

3382 (b) This Subsection ~~[(3)]~~ (4) does not limit the duty of the association to render a report
3383 of its activities under Section 31A-28-214.

3384 ~~[(4)]~~ (5) For the purpose of carrying out its obligations under this part, the association
3385 is considered to be a creditor of the insolvent insurer, except to the extent of any amounts the
3386 association is entitled as subrogee under Section 31A-28-207.

3387 ~~[(5)]~~ (6) (a) Before the termination of any liquidation, rehabilitation, or conservation
3388 proceeding, the court may take into consideration the contributions of the respective parties,
3389 including:

3390 (i) the association;

3391 (ii) the shareholders;

3392 (iii) the policyowners of the insolvent insurer; and

3393 (iv) any other party with a bona fide interest, in making an equitable distribution of the
3394 ownership rights of the insolvent insurer.

3395 (b) In making the determination described in Subsection ~~[(5)]~~ (6)(a), the court shall
3396 consider the welfare of the policyholders of the continuing or successor insurer.

3397 (c) A distribution to stockholders, if any, of an insolvent insurer may not be made until
3398 the total amount of valid claims of the association with interest on those claims for funds
3399 expended in carrying out its powers and duties under Section 31A-28-207 regarding this
3400 insurer have been fully recovered by the association.

3401 ~~[(6)]~~ (7) A rehabilitator, liquidator, or conservator appointed under any section of this
3402 part may recover on behalf of the insurer for excessive distributions paid to affiliates, pursuant
3403 to Section 31A-27a-502.

3404 Section 36. Section 31A-37-102 is amended to read:

3405 **31A-37-102. Definitions.**

3406 As used in this chapter:

3407 (1) "Affiliated company" means a business entity that because of common ownership,
3408 control, operation, or management is in the same corporate or limited liability company system
3409 as:

3410 (a) a parent;

3411 (b) an industrial insured; or

3412 (c) a member organization.

3413 (2) "Alien captive insurance company" means an insurer:

3414 (a) formed to write insurance business for a parent or affiliate of the insurer; and

3415 (b) licensed pursuant to the laws of an alien jurisdiction that imposes statutory or
3416 regulatory standards:

3417 (i) on a business entity transacting the business of insurance in the alien jurisdiction;

3418 and

3419 (ii) in a form acceptable to the commissioner.

3420 (3) "Association" means a legal association of two or more persons that has been in
3421 continuous existence for at least one year if:

3422 (a) the association or its member organizations:

3423 (i) own, control, or hold with power to vote all of the outstanding voting securities of
3424 an association captive insurance company incorporated as a stock insurer; or

3425 (ii) have complete voting control over an association captive insurance company
3426 incorporated as a mutual insurer;

3427 (b) the association's member organizations collectively constitute all of the subscribers
3428 of an association captive insurance company formed as a reciprocal insurer; or

3429 (c) the association or its member organizations have complete voting control over an
3430 association captive insurance company formed as a limited liability company.

3431 (4) "Association captive insurance company" means a business entity that insures risks
3432 of:

3433 (a) a member organization of the association;

3434 (b) an affiliate of a member organization of the association; and

3435 (c) the association.

3436 (5) "Branch business" means an insurance business transacted by a branch captive
3437 insurance company in this state.

3438 (6) "Branch captive insurance company" means an alien captive insurance company
3439 that has a certificate of authority from the commissioner to transact the business of insurance in
3440 this state through a business unit with a principal place of business in this state.

3441 (7) "Branch operation" means a business operation of a branch captive insurance
3442 company in this state.

3443 (8) "Captive insurance company" means any of the following formed or holding a
3444 certificate of authority under this chapter:

3445 (a) a branch captive insurance company;

3446 (b) a pure captive insurance company;

3447 (c) an association captive insurance company;

3448 (d) a sponsored captive insurance company;

3449 (e) an industrial insured captive insurance company;

3450 [~~(f) a captive reinsurance company;~~]

3451 [~~(g)~~] (f) a special purpose captive insurance company; or

3452 [~~(h)~~] (g) a special purpose financial captive insurance company.

3453 [~~(9) "Captive reinsurance company" means a reinsurer that is:~~]

3454 [~~(a) formed or has a certificate of authority pursuant to this chapter;~~]

3455 [~~(b) wholly owned by a qualifying reinsurer parent company; and~~]

3456 [~~(c) a stock corporation.~~]

3457 [~~(H)~~] (9) "Commissioner" means [~~the~~] Utah's Insurance Commissioner or the
3458 commissioner's designee.

3459 (10) "Common ownership and control" means that two or more captive insurance
3460 companies are owned or controlled by the same person or group of persons as follows:

3461 (a) in the case of a captive insurance company that is a stock corporation, the direct or
3462 indirect ownership of 80% or more of the outstanding voting stock of the stock corporation;

3463 (b) in the case of a captive insurance company that is a mutual corporation, the direct
3464 or indirect ownership of 80% or more of the surplus and the voting power of the mutual
3465 corporation;

3466 (c) in the case of a captive insurance company that is a limited liability company, the
3467 direct or indirect ownership by the same member or members of 80% or more of the
3468 membership interests in the limited liability company; or

3469 (d) in the case of a sponsored captive insurance company, a protected cell is a separate
3470 captive insurance company owned and controlled by the protected cell's participant, only if:

3471 (i) the participant is the only participant with respect to the protected cell; and

3472 (ii) the participant is the sponsor or is affiliated with the sponsor of the sponsored
3473 captive insurance company through common ownership and control.

3474 ~~[(12)]~~ (11) "Consolidated debt to total capital ratio" means the ratio of Subsection
3475 ~~[(12)]~~ (11)(a) to (b).

3476 (a) This Subsection ~~[(12)]~~ (11)(a) is an amount equal to the sum of all debts and hybrid
3477 capital instruments including:

3478 (i) all borrowings from depository institutions;

3479 (ii) all senior debt;

3480 (iii) all subordinated debts;

3481 (iv) all trust preferred shares; and

3482 (v) all other hybrid capital instruments that are not included in the determination of
3483 consolidated GAAP net worth issued and outstanding.

3484 (b) This Subsection ~~[(12)]~~ (11)(b) is an amount equal to the sum of:

3485 (i) total capital consisting of all debts and hybrid capital instruments as described in
3486 Subsection ~~[(12)]~~ (11)(a); and

3487 (ii) shareholders' equity determined in accordance with generally accepted accounting
3488 principles for reporting to the United States Securities and Exchange Commission.

3489 ~~[(13)]~~ (12) "Consolidated GAAP net worth" means the consolidated shareholders' or
3490 members' equity determined in accordance with generally accepted accounting principles for
3491 reporting to the United States Securities and Exchange Commission.

3492 ~~[(14)]~~ (13) "Controlled unaffiliated business" means a business entity:

3493 (a) (i) in the case of a pure captive insurance company, that is not in the corporate or
3494 limited liability company system of a parent or the parent's affiliate; or

3495 (ii) in the case of an industrial insured captive insurance company, that is not in the
3496 corporate or limited liability company system of an industrial insured or an affiliated company

3497 of the industrial insured;

3498 (b) (i) in the case of a pure captive insurance company, that has a contractual
3499 relationship with a parent or affiliate; or

3500 (ii) in the case of an industrial insured captive insurance company, that has a
3501 contractual relationship with an industrial insured or an affiliated company of the industrial
3502 insured; and

3503 (c) whose risks are managed by one of the following in accordance with Subsection
3504 [31A-37-106\(1\)\(~~k~~\)\(j\)](#):

3505 (i) a pure captive insurance company; or

3506 (ii) an industrial insured captive insurance company.

3507 [~~15~~] (14) "Department" means the Insurance Department.

3508 [~~16~~] (15) "Industrial insured" means an insured:

3509 (a) that produces insurance:

3510 (i) by the services of a full-time employee acting as a risk manager or insurance
3511 manager; or

3512 (ii) using the services of a regularly and continuously qualified insurance consultant;

3513 (b) whose aggregate annual premiums for insurance on all risks total at least \$25,000;
3514 and

3515 (c) that has at least 25 full-time employees.

3516 [~~17~~] (16) "Industrial insured captive insurance company" means a business entity
3517 that:

3518 (a) insures risks of the industrial insureds that comprise the industrial insured group;

3519 and

3520 (b) may insure the risks of:

3521 (i) an affiliated company of an industrial insured; or

3522 (ii) a controlled unaffiliated business of:

3523 (A) an industrial insured; or

3524 (B) an affiliated company of an industrial insured.

3525 [~~18~~] (17) "Industrial insured group" means:

3526 (a) a group of industrial insureds that collectively:

3527 (i) own, control, or hold with power to vote all of the outstanding voting securities of

3528 an industrial insured captive insurance company incorporated or organized as a limited liability
3529 company as a stock insurer; or

3530 (ii) have complete voting control over an industrial insured captive insurance company
3531 incorporated or organized as a limited liability company as a mutual insurer;

3532 (b) a group that is:

3533 (i) created under the Product Liability Risk Retention Act of 1981, 15 U.S.C. [~~Section~~]
3534 Sec. 3901 et seq., as amended, as a corporation or other limited liability association; and

3535 (ii) taxable under this title as a:

3536 (A) stock corporation; or

3537 (B) mutual insurer; or

3538 (c) a group that has complete voting control over an industrial captive insurance
3539 company formed as a limited liability company.

3540 [~~(19)~~] (18) "Member organization" means a person that belongs to an association.

3541 [~~(20)~~] (19) "Parent" means a person that directly or indirectly owns, controls, or holds
3542 with power to vote more than 50% of:

3543 (a) the outstanding voting securities of a pure captive insurance company; or

3544 (b) the pure captive insurance company, if the pure captive insurance company is
3545 formed as a limited liability company.

3546 [~~(21)~~] (20) "Participant" means an entity that is insured by a sponsored captive
3547 insurance company:

3548 (a) if the losses of the participant are limited through a participant contract to the assets
3549 of a protected cell; and

3550 (b)(i) the entity is permitted to be a participant under Section [31A-37-403](#); or

3551 (ii) the entity is an affiliate of an entity permitted to be a participant under Section
3552 [31A-37-403](#).

3553 [~~(22)~~] (21) "Participant contract" means a contract by which a sponsored captive
3554 insurance company:

3555 (a) insures the risks of a participant; and

3556 (b) limits the losses of the participant to the assets of a protected cell.

3557 [~~(23)~~] (22) "Protected cell" means a separate account established and maintained by a
3558 sponsored captive insurance company for one participant.

3559 [~~(24)~~] (23) "Pure captive insurance company" means a business entity that insures risks
3560 of a parent or affiliate of the business entity.

3561 [~~(25)~~] "~~Qualifying reinsurer parent company~~" means a reinsurer:]

3562 [~~(a)~~] ~~authorized to write reinsurance by this state; and]~~

3563 [~~(b)~~] ~~that has:]~~

3564 [~~(i)~~] ~~a consolidated GAAP net worth of not less than \$500,000,000; and]~~

3565 [~~(ii)~~] ~~a consolidated debt to total capital ratio not greater than .50:]~~

3566 [~~(26)~~] (24) "Special purpose financial captive insurance company" is as defined in
3567 Section [31A-37a-102](#).

3568 [~~(27)~~] (25) "Sponsor" means an entity that:

3569 (a) meets the requirements of Section [31A-37-402](#); and

3570 (b) is approved by the commissioner to:

3571 (i) provide all or part of the capital and surplus required by applicable law in an amount
3572 of not less than \$350,000, which amount the commissioner may increase by order if the
3573 commissioner considers it necessary; and

3574 (ii) organize and operate a sponsored captive insurance company.

3575 [~~(28)~~] (26) "Sponsored captive insurance company" means a captive insurance
3576 company:

3577 (a) in which the minimum capital and surplus required by applicable law is provided by
3578 one or more sponsors;

3579 (b) that is formed or holding a certificate of authority under this chapter;

3580 (c) that insures the risks of a separate participant through the contract; and

3581 (d) that segregates each participant's liability through one or more protected cells.

3582 [~~(29)~~] (27) "Treasury rates" means the United States Treasury strip asked yield as
3583 published in the Wall Street Journal as of a balance sheet date.

3584 Section 37. Section **31A-37-106** is amended to read:

3585 **31A-37-106. Authority to make rules -- Authority to issue orders.**

3586 (1) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
3587 commissioner may adopt rules to:

3588 (a) determine circumstances under which a branch captive insurance company is not
3589 required to be a pure captive insurance company;

- 3590 (b) require a statement, document, or information that a captive insurance company
3591 shall provide to the commissioner to obtain a certificate of authority;
- 3592 (c) determine a factor a captive insurance company shall provide evidence of under
3593 Subsection [31A-37-202\(4\)\(c\)](#);
- 3594 (d) prescribe one or more capital requirements for a captive insurance company in
3595 addition to those required under Section [31A-37-204](#) based on the type, volume, and nature of
3596 insurance business transacted by the captive insurance company;
- 3597 ~~[(e) establish:]~~
- 3598 ~~[(i) the amount of capital or surplus required to be retained under Subsection~~
3599 ~~[31A-37-205\(4\)](#) at the payment of a dividend or other distribution by a captive insurance~~
3600 ~~company; or]~~
- 3601 ~~[(ii) a formula to determine the amount described in Subsection [31A-37-205\(4\)](#)];]~~
- 3602 ~~[(f)]~~ (e) waive or modify a requirement for public notice and hearing for the following
3603 by a captive insurance company:
- 3604 (i) merger;
- 3605 (ii) consolidation;
- 3606 (iii) conversion;
- 3607 (iv) mutualization; ~~[or]~~
- 3608 (v) redomestication; or
- 3609 (vi) acquisition;
- 3610 ~~[(g)]~~ (f) approve the use of one or more reliable methods of valuation and rating for:
- 3611 (i) an association captive insurance company;
- 3612 (ii) a sponsored captive insurance company; or
- 3613 (iii) an industrial insured group;
- 3614 ~~[(h)]~~ (g) prohibit or limit an investment that threatens the solvency or liquidity of:
- 3615 (i) a pure captive insurance company; or
- 3616 (ii) an industrial insured captive insurance company;
- 3617 ~~[(i)]~~ (h) determine the financial reports a sponsored captive insurance company shall
3618 annually file with the commissioner;
- 3619 ~~[(j)]~~ (i) prescribe the required forms and reports under Section [31A-37-501](#); and
- 3620 ~~[(k)]~~ (j) establish one or more standards to ensure that:

3621 (i) one of the following is able to exercise control of the risk management function of a
3622 controlled unaffiliated business to be insured by a pure captive insurance company:

3623 (A) a parent; or

3624 (B) an affiliated company of a parent; or

3625 (ii) one of the following is able to exercise control of the risk management function of
3626 a controlled unaffiliated business to be insured by an industrial insured captive insurance
3627 company:

3628 (A) an industrial insured; or

3629 (B) an affiliated company of the industrial insured.

3630 (2) Notwithstanding Subsection (1)~~(k)~~(j), until the commissioner adopts the rules
3631 authorized under Subsection (1)~~(k)~~(j), the commissioner may by temporary order grant
3632 authority to insure risks to:

3633 (a) a pure captive insurance company; or

3634 (b) an industrial insured captive insurance company.

3635 (3) The commissioner may issue prohibitory, mandatory, and other orders relating to a
3636 captive insurance company as necessary to enable the commissioner to secure compliance with
3637 this chapter.

3638 Section 38. Section **31A-37-202** is amended to read:

3639 **31A-37-202. Permissive areas of insurance.**

3640 (1) (a) Except as provided in Subsection (1)(b), when permitted by its articles of
3641 incorporation, certificate of organization, or charter, a captive insurance company may apply to
3642 the commissioner for a certificate of authority to do all insurance authorized by this title except
3643 workers' compensation insurance.

3644 (b) Notwithstanding Subsection (1)(a):

3645 (i) a pure captive insurance company may not insure a risk other than a risk of:

3646 (A) its parent or affiliate;

3647 (B) a controlled unaffiliated business; or

3648 (C) a combination of Subsections (1)(b)(i)(A) and (B);

3649 (ii) an association captive insurance company may not insure a risk other than a risk of:

3650 (A) an affiliate;

3651 (B) a member organization of its association; and

- 3652 (C) an affiliate of a member organization of its association;
- 3653 (iii) an industrial insured captive insurance company may not insure a risk other than a
- 3654 risk of:
- 3655 (A) an industrial insured that is part of the industrial insured group;
- 3656 (B) an affiliate of an industrial insured that is part of the industrial insured group; and
- 3657 (C) a controlled unaffiliated business of:
- 3658 (I) an industrial insured that is part of the industrial insured group; or
- 3659 (II) an affiliate of an industrial insured that is part of the industrial insured group;
- 3660 (iv) a special purpose captive insurance company may only insure a risk of its parent;
- 3661 (v) a captive insurance company may not provide:
- 3662 (A) personal motor vehicle insurance coverage;
- 3663 (B) homeowner's insurance coverage; or
- 3664 (C) a component of a coverage described in this Subsection (1)(b)(v); and
- 3665 (vi) a captive insurance company may not accept or cede reinsurance except as
- 3666 provided in Section [31A-37-303](#).
- 3667 (c) Notwithstanding Subsection (1)(b)(iv), for a risk approved by the commissioner a
- 3668 special purpose captive insurance company may provide:
- 3669 (i) insurance;
- 3670 (ii) reinsurance; or
- 3671 (iii) both insurance and reinsurance.
- 3672 (2) To conduct insurance business in this state a captive insurance company shall:
- 3673 (a) obtain from the commissioner a certificate of authority authorizing it to conduct
- 3674 insurance business in this state;
- 3675 (b) hold at least once each year in this state:
- 3676 (i) a board of directors meeting; ~~or~~
- 3677 (ii) in the case of a reciprocal insurer, a subscriber's advisory committee meeting; or
- 3678 (iii) in the case of a limited liability company, a meeting of the managers;
- 3679 (c) maintain in this state:
- 3680 (i) the principal place of business of the captive insurance company; or
- 3681 (ii) in the case of a branch captive insurance company, the principal place of business
- 3682 for the branch operations of the branch captive insurance company; and

3683 (d) except as provided in Subsection (3), appoint a resident registered agent to accept
3684 service of process and to otherwise act on behalf of the captive insurance company in this state.

3685 (3) Notwithstanding Subsection (2)(d), in the case of a captive insurance company
3686 formed as a corporation or a reciprocal insurer, if the registered agent cannot with reasonable
3687 diligence be found at the registered office of the captive insurance company, the commissioner
3688 is the agent of the captive insurance company upon whom process, notice, or demand may be
3689 served.

3690 (4) (a) Before receiving a certificate of authority, a captive insurance company:

3691 (i) formed as a corporation shall file with the commissioner:

3692 (A) a certified copy of:

3693 (I) articles of incorporation or the charter of the corporation; and

3694 (II) bylaws of the corporation;

3695 (B) a statement under oath of the president and secretary of the corporation showing
3696 the financial condition of the corporation; and

3697 (C) any other statement or document required by the commissioner under Section
3698 [31A-37-106](#);

3699 (ii) formed as a reciprocal shall:

3700 (A) file with the commissioner:

3701 (I) a certified copy of the power of attorney of the attorney-in-fact of the reciprocal;

3702 (II) a certified copy of the subscribers' agreement of the reciprocal;

3703 (III) a statement under oath of the attorney-in-fact of the reciprocal showing the
3704 financial condition of the reciprocal; and

3705 (IV) any other statement or document required by the commissioner under Section
3706 [31A-37-106](#); and

3707 (B) submit to the commissioner for approval a description of the:

3708 (I) coverages;

3709 (II) deductibles;

3710 (III) coverage limits;

3711 (IV) rates; and

3712 (V) any other information the commissioner requires under Section [31A-37-106](#)~~[:]~~; and

3713 (iii) formed as a limited liability company shall file with the commissioner:

3714 (A) a certified copy of the certificate of organization and the operating agreement of
3715 the organization;

3716 (B) a statement under oath of the president and secretary of the organization showing
3717 the financial condition of the organization;

3718 (C) evidence that the limited liability company is manager-managed; and

3719 (D) any other statement or document required by the commissioner under Section
3720 [31A-37-106](#).

3721 (b) (i) If there is a subsequent material change in an item in the description required
3722 under Subsection (4)(a)(ii)(B) for a reciprocal captive insurance company, the reciprocal
3723 captive insurance company shall submit to the commissioner for approval an appropriate
3724 revision to the description required under Subsection (4)(a)(ii)(B).

3725 (ii) A reciprocal captive insurance company that is required to submit a revision under
3726 Subsection (4)(b)(i) may not offer any additional types of insurance until the commissioner
3727 approves a revision of the description.

3728 (iii) A reciprocal captive insurance company shall inform the commissioner of a
3729 material change in a rate within 30 days of the adoption of the change.

3730 (c) In addition to the information required by Subsection (4)(a), an applicant captive
3731 insurance company shall file with the commissioner evidence of:

3732 (i) the amount and liquidity of the assets of the applicant captive insurance company
3733 relative to the risks to be assumed by the applicant captive insurance company;

3734 (ii) the adequacy of the expertise, experience, and character of the person who will
3735 manage the applicant captive insurance company;

3736 (iii) the overall soundness of the plan of operation of the applicant captive insurance
3737 company;

3738 (iv) the adequacy of the loss prevention programs for the following of the applicant
3739 captive insurance company:

3740 (A) a parent;

3741 (B) a member organization; or

3742 (C) an industrial insured; and

3743 (v) any other factor the commissioner:

3744 (A) adopts by rule under Section [31A-37-106](#); and

3745 (B) considers relevant in ascertaining whether the applicant captive insurance company
3746 will be able to meet the policy obligations of the applicant captive insurance company.

3747 (d) In addition to the information required by Subsections (4)(a), (b), and (c), an
3748 applicant sponsored captive insurance company shall file with the commissioner:

3749 (i) a business plan at the level of detail required by the commissioner under Section
3750 31A-37-106 demonstrating:

3751 (A) the manner in which the applicant sponsored captive insurance company will
3752 account for the losses and expenses of each protected cell; and

3753 (B) the manner in which the applicant sponsored captive insurance company will report
3754 to the commissioner the financial history, including losses and expenses, of each protected cell;

3755 (ii) a statement acknowledging that the applicant sponsored captive insurance company
3756 will make all financial records of the applicant sponsored captive insurance company,
3757 including records pertaining to a protected cell, available for inspection or examination by the
3758 commissioner;

3759 (iii) a contract or sample contract between the applicant sponsored captive insurance
3760 company and a participant; and

3761 (iv) evidence that expenses will be allocated to each protected cell in an equitable
3762 manner.

3763 (5) (a) Information submitted pursuant to Subsection (4) is classified as a protected
3764 record under Title 63G, Chapter 2, Government Records Access and Management Act.

3765 (b) Notwithstanding Title 63G, Chapter 2, Government Records Access and
3766 Management Act, the commissioner may disclose information submitted pursuant to
3767 Subsection (4) to a public official having jurisdiction over the regulation of insurance in
3768 another state if:

3769 (i) the public official receiving the information agrees in writing to maintain the
3770 confidentiality of the information; and

3771 (ii) the laws of the state in which the public official serves require the information to be
3772 confidential.

3773 (c) This Subsection (5) does not apply to information provided by an industrial insured
3774 captive insurance company insuring the risks of an industrial insured group.

3775 (6) (a) A captive insurance company shall pay to the department the following

3776 nonrefundable fees established by the department under Sections 31A-3-103, 31A-3-304, and
3777 63J-1-504:

3778 (i) a fee for examining, investigating, and processing, by a department employee, of an
3779 application for a certificate of authority made by a captive insurance company;

3780 (ii) a fee for obtaining a certificate of authority for the year the captive insurance
3781 company is issued a certificate of authority by the department; and

3782 (iii) a certificate of authority renewal fee.

3783 (b) The commissioner may:

3784 (i) assign a department employee or retain legal, financial, and examination services
3785 from outside the department to perform the services described in:

3786 (A) Subsection (6)(a); and

3787 (B) Section 31A-37-502; and

3788 (ii) charge the reasonable cost of services described in Subsection (6)(b)(i) to the
3789 applicant captive insurance company.

3790 (7) If the commissioner is satisfied that the documents and statements filed by the
3791 applicant captive insurance company comply with this chapter, the commissioner may grant a
3792 certificate of authority authorizing the company to do insurance business in this state.

3793 (8) A certificate of authority granted under this section expires annually and shall be
3794 renewed by July 1 of each year.

3795 Section 39. Section 31A-37-204 is amended to read:

3796 **31A-37-204. Paid-in capital -- Other capital.**

3797 (1) (a) The commissioner may not issue a certificate of authority to a company
3798 described in Subsection (1)(c) unless the company possesses and thereafter maintains
3799 unimpaired paid-in capital and unimpaired paid-in surplus of:

3800 (i) in the case of a pure captive insurance company, not less than [~~\$100,000~~] \$250,000;

3801 (ii) in the case of an association captive insurance company incorporated as a stock
3802 insurer, not less than [~~\$400,000~~] \$750,000;

3803 (iii) in the case of an industrial insured captive insurance company incorporated as a
3804 stock insurer, not less than [~~\$200,000~~] \$700,000;

3805 (iv) in the case of a sponsored captive insurance company, not less than [~~\$500,000~~]
3806 \$1,000,000 of which a minimum of \$350,000 is provided by the sponsor; or

3807 (v) in the case of a special purpose captive insurance company, an amount determined
3808 by the commissioner after giving due consideration to the company's business plan, feasibility
3809 study, and pro-formas, including the nature of the risks to be insured.

3810 (b) The paid-in capital and surplus required under this Subsection (1) may be in the
3811 form of:

3812 (i) (A) cash; or

3813 (B) cash equivalent; or

3814 (ii) an irrevocable letter of credit:

3815 (A) issued by:

3816 (I) a bank chartered by this state; or

3817 (II) a member bank of the Federal Reserve System; and

3818 (B) approved by the commissioner.

3819 (c) This Subsection (1) applies to:

3820 (i) a pure captive insurance company;

3821 (ii) a sponsored captive insurance company;

3822 (iii) a special purpose captive insurance company;

3823 (iv) an association captive insurance company incorporated as a stock insurer; or

3824 (v) an industrial insured captive insurance company incorporated as a stock insurer.

3825 (2) (a) The commissioner may, under Section [31A-37-106](#), prescribe additional capital
3826 based on the type, volume, and nature of insurance business transacted.

3827 (b) The capital prescribed by the commissioner under this Subsection (2) may be in the
3828 form of:

3829 (i) cash; or

3830 (ii) an irrevocable letter of credit issued by:

3831 (A) a bank chartered by this state; or

3832 (B) a member bank of the Federal Reserve System.

3833 (3) (a) Except as provided in Subsection (3)(c), a branch captive insurance company, as
3834 security for the payment of liabilities attributable to branch operations, shall, through its branch
3835 operations, establish and maintain a trust fund:

3836 (i) funded by an irrevocable letter of credit or other acceptable asset; and

3837 (ii) in the United States for the benefit of:

- 3838 (A) United States policyholders; and
3839 (B) United States ceding insurers under:
3840 (I) insurance policies issued; or
3841 (II) reinsurance contracts issued or assumed.
- 3842 (b) The amount of the security required under this Subsection (3) shall be no less than:
3843 (i) the capital and surplus required by this chapter; and
3844 (ii) the reserves on the insurance policies or reinsurance contracts, including:
3845 (A) reserves for losses;
3846 (B) allocated loss adjustment expenses;
3847 (C) incurred but not reported losses; and
3848 (D) unearned premiums with regard to business written through branch operations.
- 3849 (c) Notwithstanding the other provisions of this Subsection (3), the commissioner may
3850 permit a branch captive insurance company that is required to post security for loss reserves on
3851 branch business by its reinsurer to reduce the funds in the trust account required by this section
3852 by the same amount as the security posted if the security remains posted with the reinsurer.
- 3853 (4) (a) A captive insurance company may not pay the following without the prior
3854 approval of the commissioner:
3855 (i) a dividend out of capital or surplus in excess of the limits under Section
3856 16-10a-640; or
3857 (ii) a distribution with respect to capital or surplus in excess of the limits under Section
3858 16-10a-640.
- 3859 (b) The commissioner shall condition approval of an ongoing plan for the payment of
3860 dividends or other distributions on the retention, at the time of each payment, of capital or
3861 surplus in excess of:
3862 (i) amounts specified by the commissioner under Section 31A-37-106; or
3863 (ii) determined in accordance with formulas approved by the commissioner under
3864 Section 31A-37-106.
- 3865 (5) Notwithstanding Subsection (1), a captive insurance company organized as a
3866 reciprocal insurer under this chapter may not be issued a certificate of authority unless the
3867 captive insurance company possesses and maintains unimpaired paid-in surplus of \$1,000,000.
- 3868 (6) (a) The commissioner may prescribe additional unimpaired paid-in surplus based

3869 upon the type, volume, and nature of the insurance business transacted.

3870 (b) The unimpaired paid-in surplus required under this Subsection (6) may be in the
3871 form of an irrevocable letter of credit issued by:

3872 (i) a bank chartered by this state; or

3873 (ii) a member bank of the Federal Reserve System.

3874 Section 40. Section **31A-37-301** is amended to read:

3875 **31A-37-301. Incorporation -- Organization.**

3876 (1) A pure captive insurance company or a sponsored captive insurance company shall
3877 be incorporated as a stock insurer with the capital of the pure captive insurance company or
3878 sponsored captive insurance company:

3879 (a) divided into shares; and

3880 (b) held by the stockholders of the pure captive insurance company or sponsored
3881 captive insurance company.

3882 (2) A pure captive insurance company or a sponsored captive insurance company
3883 formed as a limited liability company shall be organized as a members interest insurer with the
3884 capital of the pure captive insurance company or sponsored captive insurance company:

3885 (a) divided into interests; and

3886 (b) held by the members of the pure captive insurance company or sponsored captive
3887 insurance company.

3888 [~~2~~] (3) An association captive insurance company or an industrial insured captive
3889 insurance company may be:

3890 (a) incorporated as a stock insurer with the capital of the association captive insurance
3891 company or industrial insured captive insurance company:

3892 (i) divided into shares; and

3893 (ii) held by the stockholders of the association captive insurance company or industrial
3894 insured captive insurance company;

3895 (b) incorporated as a mutual insurer without capital stock, with a governing body
3896 elected by the member organizations of the association captive insurance company or industrial
3897 insured captive insurance company; or

3898 (c) organized as a reciprocal.

3899 [~~3~~] (4) A captive insurance company formed as a corporation may not have fewer

3900 than three incorporators of whom [~~not fewer than two shall be residents~~] one shall be a resident
3901 of this state.

3902 (5) A captive insurance company formed as a limited liability company may not have
3903 fewer than three organizers of whom one shall be a resident of this state.

3904 [~~(4)~~] (6) (a) Before a captive insurance company formed as a corporation files the
3905 corporation's articles of incorporation with the Division of Corporations and Commercial
3906 Code, the incorporators shall obtain from the commissioner a certificate finding that the
3907 establishment and maintenance of the proposed corporation will promote the general good of
3908 the state.

3909 (b) In considering a request for a certificate under Subsection [~~(4)~~] (6)(a), the
3910 commissioner shall consider:

3911 (i) the character, reputation, financial standing, and purposes of the incorporators;

3912 (ii) the character, reputation, financial responsibility, insurance experience, and
3913 business qualifications of the officers and directors;

3914 (iii) any information in:

3915 (A) the application for a certificate of authority; or

3916 (B) the department's files; and

3917 (iv) other aspects that the commissioner considers advisable.

3918 (7) (a) Before a captive insurance company formed as a limited liability company files
3919 the limited liability company's articles of organization with the Division of Corporations and
3920 Commercial Code, the limited liability company shall obtain from the commissioner a
3921 certificate finding that the establishment and maintenance of the proposed limited liability
3922 company will promote the general good of the state.

3923 (b) In considering a request for a certificate under Subsection (7)(a) the commissioner
3924 shall consider:

3925 (i) the character, reputation, financial standing, and purposes of the organizers;

3926 (ii) the character, reputation, financial responsibility, insurance experience, and
3927 business qualifications of the managers;

3928 (iii) any information in:

3929 (A) the application for a certificate of authority; or

3930 (B) the department's files; and

3931 (iv) other aspects that the commissioner considers advisable.
3932 [~~5~~] (8) (a) A captive insurance company formed as a corporation shall file with the
3933 Division of Corporations and Commercial Code:
3934 (i) the captive insurance company's articles of incorporation;
3935 (ii) the certificate issued pursuant to Subsection [~~4~~] (6); and
3936 (iii) the fees required by the Division of Corporations and Commercial Code.
3937 (b) The Division of Corporations and Commercial Code shall file both the articles of
3938 incorporation and the certificate described in Subsection [~~4~~] (6) for a captive insurance
3939 company that complies with this section.
3940 (9) (a) A captive insurance company formed as a limited liability company shall file
3941 with the Division of Corporations and Commercial Code:
3942 (i) the captive insurance company's certificate of organization;
3943 (ii) the certificate issued pursuant to Subsection (7); and
3944 (iii) the fees required by the Division of Corporations and Commercial Code.
3945 (b) The Division of Corporations and Commercial Code shall file both the certificate
3946 of organization and the certificate described in Subsection (7) for a captive insurance company
3947 that complies with this section.
3948 [~~6~~] (10) (a) The organizers of a captive insurance company formed as a reciprocal
3949 insurer shall obtain from the commissioner a certificate finding that the establishment and
3950 maintenance of the proposed association will promote the general good of the state.
3951 (b) In considering a request for a certificate under Subsection [~~6~~] (10)(a), the
3952 commissioner shall consider:
3953 (i) the character, reputation, financial standing, and purposes of the incorporators;
3954 (ii) the character, reputation, financial responsibility, insurance experience, and
3955 business qualifications of the officers and directors;
3956 (iii) any information in:
3957 (A) the application for a certificate of authority; or
3958 (B) the department's files; and
3959 (iv) other aspects that the commissioner considers advisable.
3960 [~~7~~] (11) (a) An alien captive insurance company that has received a certificate of
3961 authority to act as a branch captive insurance company shall obtain from the commissioner a

3962 certificate finding that:

3963 (i) the home state of the alien captive insurance company imposes statutory or
3964 regulatory standards in a form acceptable to the commissioner on companies transacting the
3965 business of insurance in that state; and

3966 (ii) after considering the character, reputation, financial responsibility, insurance
3967 experience, and business qualifications of the officers and directors of the alien captive
3968 insurance company, and other relevant information, the establishment and maintenance of the
3969 branch operations will promote the general good of the state.

3970 (b) After the commissioner issues a certificate under Subsection ~~[(7)]~~ (11)(a) to an
3971 alien captive insurance company, the alien captive insurance company may register to do
3972 business in this state.

3973 ~~[(8) The capital stock of a captive insurance company incorporated as a stock insurer~~
3974 ~~may not be issued at less than par value.]~~

3975 ~~[(9)]~~ (12) At least one of the members of the board of directors of a captive insurance
3976 company formed as a corporation shall be a resident of this state.

3977 (13) At least one of the managers of a limited liability company shall be a resident of
3978 this state.

3979 ~~[(10)]~~ (14) At least one of the members of the subscribers' advisory committee of a
3980 captive insurance company formed as a reciprocal insurer shall be a resident of this state.

3981 ~~[(11)]~~ (15) (a) A captive insurance company formed as a corporation under this chapter
3982 has the privileges and is subject to the provisions of the general corporation law as well as the
3983 applicable provisions contained in this chapter.

3984 (b) If a conflict exists between a provision of the general corporation law and a
3985 provision of this chapter, this chapter shall control.

3986 (c) Except as provided in Subsection ~~[(11)]~~ (15)(d), the provisions of this title
3987 pertaining to a merger, consolidation, conversion, mutualization, and redomestication apply in
3988 determining the procedures to be followed by a captive insurance company in carrying out any
3989 of the transactions described in those provisions.

3990 (d) Notwithstanding Subsection ~~[(11)]~~ (15)(c), the commissioner may waive or modify
3991 the requirements for public notice and hearing in accordance with rules adopted under Section
3992 [31A-37-106](#).

3993 (e) If a notice of public hearing is required, but no one requests a hearing, the
3994 commissioner may cancel the public hearing.

3995 (16) (a) A captive insurance company formed as a limited liability company under this
3996 chapter has the privileges and is subject to Title 48, Chapter 2c, Utah Revised Limited Liability
3997 Company Act, or Title 48, Chapter 3a, Utah Revised Uniform Limited Liability Company Act,
3998 as appropriate pursuant to Section [48-3a-1405](#), as well as the applicable provisions in this
3999 chapter.

4000 (b) If a conflict exists between a provision of the limited liability company law and a
4001 provision of this chapter, this chapter controls.

4002 (c) The provisions of this title pertaining to a merger, consolidation, conversion,
4003 mutualization, and redomestication apply in determining the procedures to be followed by a
4004 captive insurance company in carrying out any of the transactions described in those
4005 provisions.

4006 (d) Notwithstanding Subsection (16)(c), the commissioner may waive or modify the
4007 requirements for public notice and hearing in accordance with rules adopted under Section
4008 [31A-37-106](#).

4009 (e) If a notice of public hearing is required, but no one requests a hearing, the
4010 commissioner may cancel the public hearing.

4011 [~~12~~] (17) (a) A captive insurance company formed as a reciprocal insurer under this
4012 chapter has the powers set forth in Section [31A-4-114](#) in addition to the applicable provisions
4013 of this chapter.

4014 (b) If a conflict exists between the provisions of Section [31A-4-114](#) and the provisions
4015 of this chapter with respect to a captive insurance company, this chapter shall control.

4016 (c) To the extent a reciprocal insurer is made subject to other provisions of this title
4017 pursuant to Section [31A-14-208](#), the provisions are not applicable to a reciprocal insurer
4018 formed under this chapter unless the provisions are expressly made applicable to a captive
4019 insurance company under this chapter.

4020 (d) In addition to the provisions of this Subsection [~~12~~] (17), a captive insurance
4021 company organized as a reciprocal insurer that is an industrial insured group has the privileges
4022 of Section [31A-4-114](#) in addition to applicable provisions of this title.

4023 [~~13~~] (18) (a) The articles of incorporation or bylaws of a captive insurance company

4024 formed as a corporation may not authorize a quorum of a board of directors to consist of fewer
4025 than one-third of the fixed or prescribed number of directors as provided in Section
4026 [16-10a-824](#).

4027 (b) The certificate of organization of a captive insurance company formed as a limited
4028 liability company may not authorize a quorum of a board of managers to consist of fewer than
4029 one-third of the fixed or prescribed number of directors required in Section [16-10a-824](#).

4030 Section 41. Section **31A-37-302** is amended to read:

4031 **31A-37-302. Investment requirements.**

4032 (1) (a) Except as provided in Subsection (1)(b), an association captive insurance
4033 company, a sponsored captive insurance company, and an industrial insured group shall
4034 comply with the investment requirements contained in this title.

4035 (b) Notwithstanding Subsection (1)(a) and any other provision of this title, the
4036 commissioner may approve the use of alternative reliable methods of valuation and rating
4037 under Section [31A-37-106](#) for:

- 4038 (i) an association captive insurance company;
- 4039 (ii) a sponsored captive insurance company; or
- 4040 (iii) an industrial insured group.

4041 (2) (a) Except as provided in Subsection (2)(b), a pure captive insurance company or
4042 industrial insured captive insurance company is not subject to any restrictions on allowable
4043 investments contained in this title.

4044 (b) Notwithstanding Subsection (2)(a), the commissioner may, under Section
4045 [31A-37-106](#), prohibit or limit an investment that threatens the solvency or liquidity of:

- 4046 (i) a pure captive insurance company; or
- 4047 (ii) an industrial insured captive insurance company.

4048 (3) (a) (i) Except as provided in Subsection (3)(a)(ii), a captive insurance company may
4049 not make loans to:

- 4050 (A) the parent company of the captive insurance company; or
- 4051 (B) an affiliate of the captive insurance company.

4052 (ii) Notwithstanding Subsection (3)(a)(i), a pure captive insurance company may make
4053 loans to:

- 4054 (A) the parent company of the pure captive insurance company; or

- 4055 (B) an affiliate of the pure captive insurance company.
- 4056 (b) A loan under Subsection (3)(a):
- 4057 (i) may be made only on the prior written approval of the commissioner; and
- 4058 (ii) shall be evidenced by a note in a form approved by the commissioner.
- 4059 (c) A pure captive insurance company may not make a loan from~~[-(i)]~~ the paid-in
- 4060 capital required under Subsection 31A-37-204(1)~~[-or]~~.

4061 ~~[(ii) the free surplus required under Subsection 31A-37-205(1).]~~

4062 Section 42. Section 31A-37-303 is amended to read:

4063 **31A-37-303. Reinsurance.**

4064 (1) A captive insurance company may provide reinsurance, as authorized in this title,

4065 on risks ceded ~~[by any other insurer]~~ for the benefit of a parent, affiliate, or controlled

4066 unaffiliated business.

4067 (2) (a) A captive insurance company may take credit for reserves on risks or portions of

4068 risks ceded to reinsurers if the captive insurance company complies with Section 31A-17-404.

4069 (b) Unless the reinsurer is in compliance with Section 31A-17-404, a captive insurance

4070 company may not take credit for:

- 4071 (i) reserves on risks ceded to a reinsurer; or
- 4072 (ii) portions of risks ceded to a reinsurer.

4073 Section 43. Section 31A-37-306 is amended to read:

4074 **31A-37-306. Conversion or merger.**

4075 (1) An association captive insurance company or industrial insured group formed as a

4076 stock or mutual corporation may be:

- 4077 (a) converted to a reciprocal insurer in accordance with a plan and this section; or
- 4078 (b) merged with and into a reciprocal insurer in accordance with a plan and this
- 4079 section.

4080 (2) An association captive insurance company or industrial group formed as a limited

4081 liability company may be:

- 4082 (a) converted to a reciprocal insurer in accordance with a plan and this section; or
- 4083 (b) merged with and into a reciprocal insurer in accordance with a plan and this
- 4084 section.

4085 ~~[(2)]~~ (3) A plan for a conversion or merger under this section:

4086 (a) shall be fair and equitable to:

4087 (i) the shareholders, in the case of a stock insurer; ~~[or]~~

4088 (ii) the policyholders, in the case of a mutual insurer; and

4089 (iii) the members, in the case of a limited liability company insurer; and

4090 (b) shall provide for the purchase of:

4091 (i) the shares of any nonconsenting shareholder of a stock insurer in substantially the
4092 same manner and subject to the same rights and conditions as are provided a dissenting
4093 shareholder; or

4094 (ii) the policyholder interest of any nonconsenting policyholder of a mutual insurer in
4095 substantially the same manner and subject to the same rights and conditions as are provided a
4096 dissenting policyholder.

4097 ~~[(3)]~~ (4) In the case of a conversion authorized under Subsection (1) or (2):

4098 (a) the conversion shall be accomplished under a reasonable plan and procedure that
4099 are approved by the commissioner;

4100 (b) the commissioner may not approve the plan of conversion under this section unless
4101 the plan:

4102 (i) satisfies Subsections ~~[(2)]~~ (3) and ~~[(6)]~~ (7);

4103 (ii) provides for the conversion of existing stockholder ~~[or]~~, policyholder, or member
4104 interests into subscriber interests in the resulting reciprocal insurer, proportionate to
4105 stockholder ~~[or]~~, policyholder, or member interests in the stock or mutual insurer or limited
4106 liability company; and

4107 (iii) is approved:

4108 (A) in the case of a stock insurer, by a majority of the shares entitled to vote
4109 represented in person or by proxy at a duly called regular or special meeting at which a quorum
4110 is present; ~~[or]~~

4111 (B) in the case of a mutual insurer, by a majority of the voting interests of
4112 policyholders represented in person or by proxy at a duly called regular or special meeting at
4113 which a quorum is present; or

4114 (C) in the case of a limited liability company insurer, by a majority of the voting
4115 managers represented in person or by proxy at a duly called regular or special meeting at which
4116 a quorum is present;

4117 (c) the commissioner shall approve a plan of conversion if the commissioner finds that
4118 the conversion will promote the general good of the state in conformity with the standards
4119 under [~~Subsection~~] Section 31A-37-301[~~(4)~~];

4120 (d) if the commissioner approves a plan of conversion, the commissioner shall amend
4121 the converting insurer's certificate of authority to reflect conversion to a reciprocal insurer and
4122 issue the amended certificate of authority to the company's attorney-in-fact;

4123 (e) upon issuance of an amended certificate of authority of a reciprocal insurer by the
4124 commissioner, the conversion is effective; and

4125 (f) upon the effectiveness of the conversion:

4126 (i) the corporate existence of the converting insurer shall cease; and

4127 (ii) the resulting reciprocal insurer shall notify the Division of Corporations and
4128 Commercial Code of the conversion.

4129 [~~(4)~~] (5) A merger authorized under Subsection (1) or (2) shall be accomplished
4130 substantially in accordance with the procedures set forth in this title except that, solely for
4131 purposes of the merger:

4132 (a) the plan or merger shall satisfy Subsection [~~(2)~~] (3);

4133 (b) the subscribers' advisory committee of a reciprocal insurer shall be equivalent to the
4134 board of directors of a stock or mutual insurance company;

4135 (c) the subscribers of a reciprocal insurer shall be the equivalent of the policyholders of
4136 a mutual insurance company;

4137 (d) if a subscribers' advisory committee does not have a president or secretary, the
4138 officers of the committee having substantially equivalent duties are the president and secretary
4139 of the committee;

4140 (e) the commissioner shall approve the articles of merger if the commissioner finds that
4141 the merger will promote the general good of the state in conformity with the standards under
4142 [~~Subsection~~] Section 31A-37-301[~~(4)~~];

4143 (f) notwithstanding [~~Sections~~] Section 31A-37-204 [~~and 31A-37-205~~], the
4144 commissioner may permit the formation, without capital and surplus, of a captive insurance
4145 company organized as a reciprocal insurer, into which an existing captive insurance company
4146 may be merged to facilitate a transaction under this section, if there is no more than one
4147 authorized insurance company surviving the merger; and

4148 (g) an alien insurer may be a party to a merger authorized under Subsection (1) or (2)
4149 if:

4150 (i) the requirements for the merger between a domestic and a foreign insurer under
4151 Chapter 16, Insurance Holding Companies, are applied to the merger; and

4152 (ii) the alien insurer is treated as a foreign insurer under Chapter 16, Insurance Holding
4153 Companies.

4154 [~~(5)~~] (6) If the commissioner approves the articles of merger under this section:

4155 (a) the commissioner shall endorse the commissioner's approval on the articles; and

4156 (b) the surviving insurer shall present the name to the Division of Corporations and
4157 Commercial Code.

4158 [~~(6)~~] (7) (a) Except as provided in Subsection [~~(6)~~] (7)(b), a conversion authorized
4159 under Subsection (1) shall provide for a hearing, of which notice has been given to the insurer,
4160 its directors, officers and stockholders, in the case of a stock insurer, or policyholders, in the
4161 case of a mutual insurer, all of whom have the right to appear at the hearing.

4162 (b) Notwithstanding Subsection [~~(6)~~] (7)(a), the commissioner may waive or modify
4163 the requirements for the hearing.

4164 (c) If a notice of hearing is required, but no hearing is requested, after notice has been
4165 given under Subsection [~~(6)~~] (7)(a), the commissioner may cancel the hearing.

4166 Section 44. Section **31A-37-401** is amended to read:

4167 **31A-37-401. Sponsored captive insurance companies -- Formation.**

4168 (1) One or more sponsors may form a sponsored captive insurance company under this
4169 chapter.

4170 (2) A sponsored captive insurance company formed under this chapter may establish
4171 and maintain a protected cell to insure risks of a participant if:

4172 (a) the shareholders of a sponsored captive insurance company are limited to:

4173 (i) the participants of the sponsored captive insurance company; and

4174 (ii) the sponsors of the sponsored captive insurance company;

4175 (b) each protected cell is accounted for separately on the books and records of the
4176 sponsored cell captive insurance company to reflect:

4177 (i) the financial condition of the individual protected cell;

4178 (ii) the results of operations of [~~the~~] each individual protected cell;

- 4179 (iii) the net income or loss of [~~the~~] each individual protected cell;
- 4180 (iv) the dividends or other distributions to participants of [~~the~~] each individual
- 4181 protected cell; and
- 4182 (v) other factors that may be:
- 4183 (A) provided in the participant contract; or
- 4184 (B) required by the commissioner;
- 4185 (c) the assets of a protected cell are not chargeable with liabilities arising out of any
- 4186 other insurance business the sponsored captive insurance company may conduct;
- 4187 (d) a sale, exchange, or other transfer of assets is not made by the sponsored captive
- 4188 insurance company between or among any of the protected cells of the sponsored captive
- 4189 insurance company without the consent of the protected cells;
- 4190 (e) a sale, exchange, transfer of assets, dividend, or distribution is not made from a
- 4191 protected cell to a sponsor or participant without the commissioner's approval, which may not
- 4192 be given if the sale, exchange, transfer, dividend, or distribution would result in insolvency or
- 4193 impairment with respect to a protected cell;
- 4194 (f) a sponsored captive insurance company annually files with the commissioner
- 4195 financial reports the commissioner requires under Section [31A-37-106](#), including accounting
- 4196 statements detailing the financial experience of each protected cell;
- 4197 (g) a sponsored captive insurance company notifies the commissioner in writing within
- 4198 10 business days of a protected cell that is insolvent or otherwise unable to meet the claim or
- 4199 expense obligations of the protected cell;
- 4200 (h) a participant contract does not take effect without the commissioner's prior written
- 4201 approval; [~~and~~]
- 4202 (i) the addition of each new protected cell and withdrawal of a participant of any
- 4203 existing protected cell does not take effect without the commissioner's prior written
- 4204 approval[-]; and
- 4205 (j) (i) a protected cell captive insurance company shall pay to the department the
- 4206 following nonrefundable fees established by the department under Sections [31A-3-103](#),
- 4207 [31A-3-304](#), and [63J-1-504](#):
- 4208 (A) a fee for examining, investigating, and processing by a department employee of an
- 4209 application for a certificate of authority made by a protected cell captive insurance company;

4210 (B) a fee for obtaining a certificate of authority for the year the protected cell captive
 4211 insurance company is issued a certificate of authority by the department; and

4212 (C) a certificate of authority renewal fee; and

4213 (ii) a protected cell may be created by the sponsor or the sponsor may create a pooling
 4214 insurance arrangement to provide for pooling of risks to allow for risk distribution upon written
 4215 approval from every protected cell under the sponsor and written approval of the
 4216 commissioner.

4217 Section 45. Section 31A-37-402 is amended to read:

4218 **31A-37-402. Sponsored captive insurance companies -- Certificate of authority**
 4219 **mandatory.**

4220 (1) A sponsor of a sponsored captive insurance company shall be:

4221 (a) an insurer authorized or approved under the laws of a state;

4222 (b) a reinsurer authorized or approved under the laws of a state;

4223 (c) a captive insurance company holding a certificate of authority under this chapter;

4224 (d) an insurance holding company that:

4225 (i) controls an insurer licensed pursuant to the laws of a state; and

4226 (ii) is subject to registration pursuant to the holding company system of laws of the
 4227 state of domicile of the insurer described in Subsection (1)(d)(i); [~~or~~]

4228 (e) an approved captive management firm in Utah or its affiliates; or

4229 [~~(e)~~] (f) another person approved by the commissioner after finding that the approval of
 4230 the person as a sponsor is not inconsistent with the purposes of this chapter.

4231 (2) (a) The business written by a sponsored captive insurance company with respect to
 4232 a protected cell shall be fronted by the sponsor insurance company through a controlled
 4233 unaffiliated contract or an insurer that is:

4234 (i) authorized or approved:

4235 (A) under the laws of a state; or

4236 (B) under any jurisdiction if the insurance company is a wholly owned subsidiary of an
 4237 insurance company licensed pursuant to the laws of a state;

4238 (ii) reinsured by a reinsurer authorized or approved by this state; or

4239 (iii) subject to Subsection (2)(b), secured by a trust fund:

4240 (A) in the United States;

- 4241 (B) for the benefit of policyholders and claimants; [~~and~~]
4242 (C) funded by an irrevocable letter of credit or other asset acceptable to the
4243 commissioner[-]; and
4244 (D) held by the sponsor as provided in Subsection 31A-17-404(1).
- 4245 (b) (i) The amount of security provided by the trust fund described in Subsection
4246 (2)(a)(iii) may not be less than the reserves associated with the liabilities of the trust fund,
4247 including:
- 4248 (A) reserves for losses;
 - 4249 (B) allocated loss adjustment expenses;
 - 4250 (C) incurred but unreported losses; and
 - 4251 (D) unearned premiums for business written through the participant's protected cell.
- 4252 (ii) The commissioner may require the sponsored captive insurance company to
4253 increase the funding of a trust established pursuant to this Subsection (2).
- 4254 (iii) If the form of security in the trust described in Subsection (2)(a)(iii) is a letter of
4255 credit, the letter of credit shall be established, issued, or confirmed by a bank that is:
- 4256 (A) chartered in this state;
 - 4257 (B) a member of the federal reserve system; or
 - 4258 (C) chartered by another state if that state-chartered bank is acceptable to the
4259 commissioner.
- 4260 (iv) A trust and trust instrument maintained pursuant to this Subsection (2) shall be in a
4261 form and upon terms approved by the commissioner.
- 4262 (3) A risk retention group may not be either a sponsor or a participant of a sponsored
4263 captive insurance company.
- 4264 Section 46. Section **31A-37-403** is amended to read:
- 4265 **31A-37-403. Participants in sponsored captive insurance companies.**
- 4266 (1) Any of the following may be a participant in a sponsored captive insurance
4267 company holding a certificate of authority under this chapter:
- 4268 (a) an association;
 - 4269 (b) a corporation that is for profit or nonprofit;
 - 4270 (c) a limited liability company;
 - 4271 (d) a partnership;

- 4272 (e) a trust; or
- 4273 (f) any other business entity.
- 4274 (2) A sponsor may be a participant in a sponsored captive insurance company.
- 4275 (3) A participant need not be:
- 4276 (a) a shareholder of the sponsored captive insurance company; or
- 4277 (b) an affiliate of the sponsored captive insurance company.
- 4278 (4) A participant shall insure only the participant's own risks through a sponsored
- 4279 captive insurance company unless otherwise approved by the commissioner.

4280 Section 47. Section **31A-37-404** is amended to read:

4281 **31A-37-404. Discounting of loss and loss adjustment expense reserves.**

4282 (1) [~~The following~~] A sponsored captive insurance company may discount its loss and

4283 loss adjustment expense reserves at treasury rates applied to the applicable payments projected

4284 through the use of the expected payment pattern associated with the reserves[:].

4285 [~~(a) a sponsored captive insurance company; and~~]

4286 [~~(b) a captive reinsurance company.~~]

4287 (2) (a) [~~The following~~] A sponsored captive insurance company shall annually file with

4288 the department an actuarial opinion provided by an independent actuary on loss and loss

4289 adjustment expense reserves[:].

4290 [~~(i) a sponsored captive insurance company; and~~]

4291 [~~(ii) a captive reinsurance company.~~]

4292 (b) The independent actuary described in Subsection (2)(a) may not be an employee of:

4293 (i) the company filing the actuarial opinion; or

4294 (ii) an affiliate of the company filing the actuarial opinion.

4295 (3) The commissioner may disallow the discounting of reserves by [~~the following~~] a

4296 sponsored captive insurance company if the sponsored captive insurance company violates this

4297 title[:].

4298 [~~(a) a sponsored captive insurance company; or~~]

4299 [~~(b) a captive reinsurance company.~~]

4300 Section 48. Section **31A-37-501** is amended to read:

4301 **31A-37-501. Reports to commissioner.**

4302 (1) A captive insurance company is not required to make a report except those

4303 provided in this chapter.

4304 (2) (a) Before March 1 of each year, a captive insurance company shall submit to the
4305 commissioner a report of the financial condition of the captive insurance company, verified by
4306 oath of two of the executive officers of the captive insurance company.

4307 (b) Except as provided in [~~Sections~~] Section 31A-37-204 [~~and 31A-37-205~~], a captive
4308 insurance company shall report:

4309 (i) using generally accepted accounting principles, except to the extent that the
4310 commissioner requires, approves, or accepts the use of a statutory accounting principle;

4311 (ii) using a useful or necessary modification or adaptation to an accounting principle
4312 that is required, approved, or accepted by the commissioner for the type of insurance and kind
4313 of insurer to be reported upon; and

4314 (iii) supplemental or additional information required by the commissioner.

4315 (c) Except as otherwise provided:

4316 (i) a licensed captive insurance company shall file the report required by Section
4317 31A-4-113; and

4318 (ii) an industrial insured group shall comply with Section 31A-4-113.5.

4319 (3) (a) A pure captive insurance company may make written application to file the
4320 required report on a fiscal year end that is consistent with the fiscal year of the parent company
4321 of the pure captive insurance company.

4322 (b) If the commissioner grants an alternative reporting date for a pure captive insurance
4323 company requested under Subsection (3)(a), the annual report is due 60 days after the fiscal
4324 year end.

4325 (4) (a) Sixty days after the fiscal year end, a branch captive insurance company shall
4326 file with the commissioner a copy of the reports and statements required to be filed under the
4327 laws of the jurisdiction in which the alien captive insurance company is formed, verified by
4328 oath by two of the alien captive insurance company's executive officers.

4329 (b) If the commissioner is satisfied that the annual report filed by the alien captive
4330 insurance company in the jurisdiction in which the alien captive insurance company is formed
4331 provides adequate information concerning the financial condition of the alien captive insurance
4332 company, the commissioner may waive the requirement for completion of the annual statement
4333 required for a captive insurance company under this section with respect to business written in

4334 the alien jurisdiction.

4335 (c) A waiver by the commissioner under Subsection (4)(b):

4336 (i) shall be in writing; and

4337 (ii) is subject to public inspection.

4338 (5) Before March 1 of each year, a sponsored cell captive insurance company shall
4339 submit to the commissioner a consolidated report of the financial condition of each individual
4340 protected cell, including a financial statement for each protected cell.

4341 Section 49. Section **31A-37-502** is amended to read:

4342 **31A-37-502. Examination.**

4343 (1) (a) As provided in this section, the commissioner, or a person appointed by the
4344 commissioner, shall examine each captive insurance company in each [~~three-year~~] five-year
4345 period.

4346 (b) The [~~three-year~~] five-year period described in Subsection (1)(a) shall be determined
4347 on the basis of [~~three~~] five full annual accounting periods of operation.

4348 (c) The examination is to be made as of:

4349 (i) December 31 of the full three-year period; or

4350 (ii) the last day of the month of an annual accounting period authorized for a captive
4351 insurance company under this section.

4352 (d) In addition to an examination required under this Subsection (1), the commissioner,
4353 or a person appointed by the commissioner may examine a captive insurance company
4354 whenever the commissioner determines it to be prudent.

4355 (2) During an examination under this section the commissioner, or a person appointed
4356 by the commissioner, shall thoroughly inspect and examine the affairs of the captive insurance
4357 company to ascertain:

4358 (a) the financial condition of the captive insurance company;

4359 (b) the ability of the captive insurance company to fulfill the obligations of the captive
4360 insurance company; and

4361 (c) whether the captive insurance company has complied with this chapter.

4362 [~~(3) The commissioner upon application may enlarge the three-year period described in~~
4363 ~~Subsection (1) to five years, if a captive insurance company is subject to a comprehensive~~
4364 ~~annual audit during that period.]~~

4365 [~~(a)~~ of a scope satisfactory to the commissioner; and]
4366 [~~(b)~~ performed by independent auditors approved by the commissioner.]
4367 [~~(4)~~] (3) The commissioner may accept a comprehensive annual independent audit in
4368 lieu of an examination:

4369 (a) of a scope satisfactory to the commissioner; and
4370 (b) performed by an independent auditor approved by the commissioner.

4371 [~~(5)~~] (4) A captive insurance company that is inspected and examined under this
4372 section shall pay, as provided in Subsection 31A-37-202(6)(b), the expenses and charges of an
4373 inspection and examination.

4374 Section 50. Section 31A-37-505 is amended to read:

4375 **31A-37-505. Suspension or revocation -- Grounds.**

4376 (1) The commissioner may suspend or revoke the certificate of authority of a captive
4377 insurance company to conduct an insurance business in this state for:

- 4378 (a) insolvency or impairment of capital or surplus;
4379 (b) failure to meet the requirements of Section 31A-37-204 [~~or 31A-37-205~~];
4380 (c) refusal or failure to submit:
4381 (i) an annual report required by Section 31A-37-501; or
4382 (ii) any other report or statement required by law or by lawful order of the
4383 commissioner;
4384 (d) failure to comply with the charter, bylaws, or other organizational document of the
4385 captive insurance company;
4386 (e) failure to submit to:
4387 (i) an examination under Section 31A-37-502; or
4388 (ii) any legal obligation relative to an examination under Section 31A-37-502;
4389 (f) refusal or failure to pay the cost of examination under Section 31A-37-502;
4390 (g) use of methods that, although not otherwise specifically prohibited by law, render:
4391 (i) the operation of the captive insurance company detrimental to the public or the
4392 policyholders of the captive insurance company; or
4393 (ii) the condition of the captive insurance company unsound with respect to the public
4394 or to the policyholders of the captive insurance company; or
4395 (h) failure otherwise to comply with laws of this state.

4396 (2) Notwithstanding any other provision of this title, if the commissioner finds, upon
4397 examination, hearing, or other evidence, that a captive insurance company has committed any
4398 of the acts specified in Subsection (1), the commissioner may suspend or revoke the certificate
4399 of authority of the captive insurance company if the commissioner considers it in the best
4400 interest of the public and the policyholders of the captive insurance company to revoke the
4401 certificate of authority.

4402 Section 51. Section ~~31A-43-301~~ is amended to read:

4403 **31A-43-301. Stop-loss insurance coverage standards.**

4404 (1) A small employer stop-loss insurance contract shall:

4405 (a) be issued to the small employer to provide insurance to the group health benefit
4406 plan, not the employees of the small employer;

4407 ~~[(b) use a standard application form developed by the commissioner by administrative~~
4408 ~~rule;]~~

4409 ~~[(e)]~~ (b) have a contract term with guaranteed rates for at least 12 months, without
4410 adjustment, unless there is a change in the benefits provided under the small employer's health
4411 plan during the contract period;

4412 ~~[(d)]~~ (c) include both a specific attachment point and an aggregate attachment point in
4413 a contract;

4414 ~~[(e)]~~ (d) align stop-loss plan benefit limitations and exclusions with a small employer's
4415 health plan benefit limitations and exclusions, including any annual or lifetime limits in the
4416 employer's health plan;

4417 ~~[(f)]~~ (e) have an annual specific attachment point that is at least \$10,000;

4418 ~~[(g)]~~ (f) have an annual aggregate attachment point that may not be less than 85% of
4419 expected claims;

4420 ~~[(h)]~~ (g) pay stop-loss claims:

4421 (i) incurred during the contract period; and

4422 (ii) paid within 12 months after the expiration date of the contract; and

4423 ~~[(i)]~~ (h) include provisions to cover incurred and unpaid stop-loss claims ~~[if a]~~ when
4424 the small [employer] employer's stop-loss plan terminates.

4425 (2) A small employer stop-loss contract shall not:

4426 (a) include lasering; and

4427 (b) pay claims directly to an individual employee, member, or participant.

4428 Section 52. Section **63I-2-231** is amended to read:

4429 **63I-2-231. Repeal dates, Title 31A.**

4430 (1) Section **31A-22-315.5** is repealed July 1, 2016.

4431 (2) Title 31A, Chapter 42, Defined Contribution Risk Adjuster Act, is repealed July 1,
4432 [~~2015~~] 2016.

4433 Section 53. **Repealer.**

4434 This bill repeals:

4435 Section **31A-37-205, Free surplus.**

4436 Section **31A-37-601, Incorporation of a captive reinsurance company.**

4437 Section **31A-37-602, Requirements of a captive reinsurance company.**

4438 Section **31A-37-603, Minimum capitalization or reserves for a captive reinsurance**
4439 **company.**

4440 Section **31A-37-604, Management of assets of a captive reinsurance company.**

4441 Section 54. **Effective date.**

4442 This bill takes effect on May 12, 2015, except that ~~§~~ → :

4442a (1) ←~~§~~ the amendments in this bill to

4443 Section **31A-3-304** (Effective 07/01/15) take effect on July 1, 2015 ~~§~~ → [] ; **and**

4443a **(2) the actions affecting the following sections in this bill take effect on October 1, 2015:**

4443b **(a) Section 31A-16-102.5;**

4443c **(b) Section 31A-16-103;**

4443d **(c) Section 31A-16-104.5;**

4443e **(d) Section 31A-16-105;**

4443f **(e) Section 31A-16-106;**

4443g **(f) Section 31A-16-107.5;**

4443h **(g) Section 31A-16-108.5;**

4443i **(h) Section 31A-16-109;**

4443j **(i) Section 31A-16-112;**

4443k **(j) Section 31A-16-113;**

4443l **(k) Section 31A-16-114;**

4443m **(l) Section 31A-16-115;**

4443n **(m) Section 31A-16-116;**

4443o **(n) Section 31A-16-117;**

4443p **(o) Section 31A-16-118; and**

4443q **(p) Section 31A-16-119.** ←~~§~~