



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

JANE DEE HULL
Governor

2910 NORTH 44th STREET, SUITE 210
PHOENIX, ARIZONA 85018-7256

CHARLES R. COHEN
Director of Insurance

Circular Letter 1999-7

To: Insurance Industry Representatives, Life & Disability Reinsurers, Insurance Trade Associations, Insurance Industry Media Publications and Other Interested Parties

From: Charles R. Cohen
Director of Insurance

Date: August 31, 1999

Re: **Laws 1999, Ch. 170 (HB 2596) Regarding Unaffiliated Credit Life and Disability Reinsurers**

House Bill 2596, effective August 6, 1999, relaxes the regulatory requirements in 20 A.R.S. Ch.4, Art. 10 for domestic credit life and disability reinsurers that satisfy certain criteria as outlined in the legislation. Arizona Department of Insurance ("ADOI") Circular Letter 99-5 contains a general summary of the significant provisions in HB 2596. This circular letter provides more detail as to how existing reinsurers can take advantage of these amendments.

Certification of Status; Department Form [A.R.S. § 20-1082(2)]

To qualify for relaxed regulatory treatment, a reinsurer must certify on a Department form and annually reaffirm, that it reinsures only credit life or credit disability insurance that is issued according to 20 A.R.S. Ch. 6, Art. 10 by an insurer authorized to transact insurance in Arizona. Credit life or credit disability business that is issued according to 20 A.R.S. Ch. 6, Art. 10, means credit insurance that is written in Arizona under the referenced statute, or which is written in another state under substantially similar laws. In either case, the direct business must be written by, and assumed from, an insurer that is authorized in Arizona.

The reinsurer must also certify that it is not "affiliated," as defined in A.R.S. § 20-481, with any other insurer.

A reinsurer which certifies that it meets these criteria is an "unaffiliated credit life and disability reinsurer" (UCLD reinsurer) under the amended law.

Annual Statement Filing Date; Extension of Time [A.R.S. § 20-1083]

The law changes the annual statement filing date for a UCLD reinsurer. The filing date is:

- August 1st if the reinsurer's fiscal year ends on December 31st, or
- November 1st if the reinsurer's fiscal year ends on a preceding date other than the proceeding December 31st.

In certain cases, it may be difficult for a UCLD reinsurer to file by the scheduled date. For example, a UCLD reinsurer with a fiscal year end of September 30th may be unable to file its annual report by November 1st, only one month later. A UCLD reinsurer whose fiscal year ends on a date other than December 31st may contact ADOI to request an extension to file its annual statement. The ADOI will extend such UCLD reinsurers the same filing latitude given to December 31st filers (up to 210 days subsequent to fiscal year end). Extension requests should be directed to the Compliance Section of the ADOI Corporate and Financial Affairs Division.

Annual Statement Format and Contents [A.R.S. § 20-1083]

A UCLD reinsurer must still prepare an Annual Statement according to the NAIC format and instructions. However, A.R.S. § 20-1083(B), (C) and (E) exempts UCLD reinsurers from the following related filing requirements:

- Management's Discussion and Analysis
- Actuarial Opinion and Memorandum
- Preparation and filing of RBC Reports
- Reporting of RBC results in the annual statement
- Audited Financial Report.

A UCLD reinsurer should report any reinsurance treaty trust deposits in Schedule E of its Annual Statement as "Deposits which are not for the benefit of all policyholders, claimants and creditors of the Company." Because all reserves are required to be secured by funds withheld or funds in trust, ceding insurers should report reinsurance ceded to UCLD reinsurers as "unauthorized," and report the reserves and reserve security in the appropriate schedule in the ceding insurer's Annual Statement (Schedule S, Part 4 of the Life and Health blank, and Schedule F, Part 5 of the P&C blank). ADOI's request that domestic life and disability reinsurers file their Annual Statement in hard copy and on diskette with the ADOI, also applies to UCLD reinsurers. For reinsurers that do not use an Annual Statement software package, the Department will prescribe an alternate diskette filing to include specific data in spreadsheet format.

Examinations [A.R.S. § 20-1083(E)(1)]

UCLD reinsurers are exempt from the regular five year examination required by A.R.S. § 20-156(A), but remain subject to the Department's discretionary examination authority pursuant to A.R.S. § 20-156(A), including desk audits.

Investments [A.R.S. § 20-1083(E)(4)]

UCLD reinsurers are exempt from the quantitative, but not the qualitative, restrictions and limitations on insurer investments. Thus, UCLD reinsurers - which are typically small - will have greater latitude in managing their investments, as explained in the illustrations below. The Department expects that ceding insurers will continue to monitor the quality and sufficiency of any assets held in trust as reserve security.

Under current law: A domestic life and disability reinsurer having total assets of \$500,000, is generally unable to invest more than 10% of its assets (<\$50,000) in the securities or obligations of any one entity.

Under HB 2596 - Illustration 1: A UCLD reinsurer may invest its entire assets, for instance, in investment grade commercial paper, which may allow a more attractive yield or minimize transaction or safekeeping fees.

Under HB 2596 - Illustration 2: A UCLD reinsurer may wish to invest all of its funds in individual stocks or in shares of a common stock mutual fund even though there is a risk of a loss in value of the investment due to changes in the stock market.

Both the reinsurer and the ceding insurer are responsible for monitoring the quality and sufficiency of their reinsurance treaty trust fund, and the reinsurer is responsible for maintaining its solvency margin (minimum capital).

Capital Stock; Letter of Credit [A.R.S. § 20-1085(B)]

UCLD reinsurers have lower requirements for capital stock. UCLD reinsurers must maintain unimpaired capital stock of not less than \$75,000.

A UCLD reinsurer may satisfy this requirement with a clean, irrevocable, and unconditional letter of credit (“LOC”) that is payable to the ADOI Director in trust. The LOC must also have an “evergreen clause” providing for automatic, annual renewal. The letter of credit must be issued or confirmed by a qualified U.S. financial institution as defined in A.R.S. § 20-261.03. A financial institution on the Bank List maintained by the NAIC’s Securities Valuation Office automatically qualifies, if the LOC can be drawn upon at a bank located within the Phoenix metropolitan area.

Any LOC must comply with the requirements of this Department. A UCLD reinsurer must use the form of LOC attached to this circular letter. The UCLD reinsurer must deliver the LOC to ADOI, for deposit in trust with the State Treasurer. To preclude any double counting of assets, the UCLD reinsurer must not be liable directly or contingently for the LOC, and shall not pledge any of its assets as security for the LOC.

Minimum Surplus [A.R.S. § 20-1086(B)]

If the UCLD reinsurer maintains unimpaired capital stock, as specified above, the UCLD reinsurer is not required to maintain minimum surplus. However, a UCLD reinsurer must maintain a positive surplus amount in order to continue to satisfy the unimpaired capital stock requirement of A.R.S. § 20-1085(B).

Risk Requirement

Notwithstanding the reduced capital and surplus requirements, a UCLD reinsurer remains subject to the limit of risk requirement of A.R.S. § 20-260 (retention on any one risk shall not exceed 10% of capital and surplus).

Statutory Deposit; Release [A.R.S. §§ 20-1087(A) and (B)]

The statutory deposit requirement for a UCLD reinsurer is \$75,000, which can be met with an U.S. Treasury obligation, certificate of deposit, or a letter of credit. An existing domestic life and disability reinsurer that qualifies as a UCLD reinsurer and currently has more than \$75,000 on deposit may obtain a partial release of the existing deposit pursuant to A.R.S. § 20-587.

A UCLD reinsurer is exempt from the requirement to have a statutory deposit with ADOI if the UCLD reinsurer has deposited a LOC with ADOI as specified above.

An existing domestic life and disability reinsurer that qualifies as a UCLD reinsurer and delivers a LOC to ADOI, as specified above, may obtain a release of the existing deposit. ADOI will treat the current deposit as an excess deposit, subject to release under A.R.S. § 20-587.

To request an excess deposit release, use Forms E126 and E126XS, copies of which are attached to this circular letter.

Reinsurance Agreements: Review; Security [A.R.S. § 20-1094 & A.R.S. § 20-1094.01]

A UCLD reinsurer must submit all reinsurance agreements to ADOI for review and approval, as described below. Approval is deemed if the ADOI Director does not disapprove the agreement within 30 days of the date the reinsurer files it with the Department.

All reinsurance liabilities must be secured with funds withheld by the ceding insurer, or with funds maintained in a trust fund.

Any such trust fund must substantially comply with A.R.S. § 20-261.02 and A.A.C. R20-6-1603, except that the amount of funds required shall not be less than 110% of the amount of the liabilities assumed. Although A.R.S. § 20-1094.01 indicates the trust fund should comply with A.R.S. § 20-261.01, it is our understanding this is a drafting error, and should have referred to A.R.S. § 20-261.02.

Conversion Process and Time Frame

An existing domestic credit life and disability reinsurer that wishes to convert to a UCLD reinsurer must comply with the steps set forth below.

1. The reinsurer must submit the certification form to ADOI. The form requires the reinsurer to attach a list of its reinsurance agreements and to certify that the reinsurance agreements have been filed with and approved by the ADOI, and that any reinsurance treaty trust agreements substantially comply with the requirements of A.A.C. R20-6-1603.
2. A reinsurer having reinsurance agreements that have not previously been submitted for ADOI review and approval, should submit those agreements with the certification form. For any agreements that were previously reviewed and approved, ADOI asks that the reinsurer also include a copy of the cover page, bearing the Department's "Approved" stamp.
3. Any request for partial release or replacement of an existing statutory deposit, as discussed above, can be filed with the certification form, or at a later date, if so desired.

A reinsurer that wishes to convert to UCLD reinsurer status must complete all conversion requirements no later than January 15th immediately following the calendar year for which the reinsurer wishes to report as an UCLD reinsurer. If the reinsurer completes all conversion requirements by January 15th, the reinsurer is then eligible for the modified reporting requirements or exclusions relative to the Annual Statement, Audited Financial Report, and Insurance Holding Company Registration Statement filings.

THE DEPARTMENT ENCOURAGES INTERESTED REINSURERS TO FILE AS EARLY AS POSSIBLE FOR CONVERSION TO UCLD REINSURER STATUS

Redomestications

A foreign admitted insurer that wishes to become an Arizona UCLD reinsurer may be able to redomesticate pursuant to A.R.S. § 20-231 and 10 A.R.S. Ch. 2, Art. 2, if the laws of the insurer's current domiciliary state so allow. Foreign admitted insurers whose domiciliary state has not adopted the NAIC Model redomestication statute, alien insurers, and insurers not authorized in Arizona do not qualify for redomestication; such insurers must apply for an original certificate of authority (and meet all the other requirements specified above) to qualify as a UCLD reinsurer.

Loss of Status Through Affiliation

A UCLD reinsurer must remain unaffiliated with other insurers. A reinsurer that qualifies as a UCLD reinsurer, and then later becomes affiliated with another insurer through a parent company acquisition, merger, or otherwise, is no longer eligible to retain its existing authority, and must immediately report its change in status to ADOI. Upon a showing of good cause, the Department will allow a period of until January 15 of the following year for the reinsurer or its affiliate to merge, withdraw or otherwise become unaffiliated with another insurer, providing the reinsurer has no transactions directly or indirectly with its insurer affiliate unless approved in advance by this Department. Any application for conversion of a UCLD reinsurer to a domestic life and disability insurer or reinsurer will be subject to the Department's application and approval process for an original certificate of authority.

Any person with questions about this circular letter should direct them to the Corporate and Financial Affairs Division, Attn: Gary Torticill at (602) 912-8420.

Attachments

Certification form

Form of letter of credit

Forms E126 and E126XS

Trust Agreement Checklist



Department of Insurance
State of Arizona
Corporate and Financial Affairs Division
 2910 NORTH 44TH STREET, SUITE 210
 Phoenix, Arizona 85018-7256
Telephone: (602) 912-8420
Telecopier: (602) 912-8421

**CERTIFICATION OF DOMESTIC UNAFFILIATED CREDIT LIFE AND DISABILITY
 REINSURER PURSUANT TO A.R.S. § 20-1082(2)**

To be filed upon initial application and annually thereafter in conjunction with the Annual Statement

Full and Exact Corporate Name _____

NAIC Number (if none, so state) _____ Federal ID Number _____

Fiscal Year End: ____ December 31 ____ Other (specify) _____

Check one: ____ Initial Application ____ Annual Certification

The undersigned hereby certify that the named Company complies in all respects with the requirements of Arizona Revised Statutes applicable to Unaffiliated Credit Life and Disability Reinsurers including without limitation, the following:

1. The Company's insurance operations consist solely of reinsurance of direct credit life or credit disability insurance that is issued according to Chapter 6, Article 10, Title 20 of Arizona Revised Statutes, or that is issued according to substantially similar laws of another state by an insurer that is authorized in Arizona.
2. The Company is not "affiliated," as defined in A.R.S. § 20-481, with any other insurer as defined in A.R.S. § 20-104.
3. The Company possesses and will maintain unimpaired capital stock of not less than seventy-five thousand dollars (\$75,000) in accordance with A.R.S. § 20-1085(B), and;

(Initial the line at the left of the applicable statement)

_____ The unimpaired capital of the Company is not represented by a letter of credit.

_____ The unimpaired capital of the Company is represented by a clean, irrevocable and unconditional letter of credit issued by a Qualified Financial Institution, as defined in A.R.S. § 20-261.03 and as approved by the Department, that is payable to the Arizona Director of Insurance and contains a qualifying "Evergreen Clause" that it is automatically renewable and the issuing financial institution will provide the Arizona Director of Insurance with not less than 60 days advance written notice of non-renewal. The letter of credit is (check applicable) ____ delivered herewith, or ____ on deposit with the State Treasurer's Office through the Arizona Department of Insurance.

4. The Company is and will remain in compliance with A.R.S. § 20-1094 regarding the filing and approval of reinsurance agreements, and with A.R.S. § 20-260 regarding the limitation of risk (retention on any one risk shall not exceed 10% of Company's capital and surplus). Attached to this certification is:

a) A list of all of the Company's reinsurance agreements that includes for each:

- i) Name of ceding insurer.
- ii) Effective date of agreement and of any amendments.
- iii) Method of security (i.e., funds withheld or trust account).
- iv) Date approved by Arizona Department of Insurance or if approval is pending, state "pending".

b) **For Initial Applications only:**

(Initial the line at the left of the applicable statement)

- _____ i) For each approved agreement, a copy of the cover page bearing the Department's "Approved" stamp.
- _____ ii) For each agreement filed herewith, two (2) copies of the agreement and any related trust agreements.
- _____ iii) For each trust agreement, a completed Form E1603, Trust Agreement Checklist.

5. Pursuant to A.R.S. § 20-1094.01, liabilities that are assumed under reinsurance agreements are secured with (check applicable) ____ funds withheld by the ceding insurer, or ____ funds maintained in a trust account that complies with A.A.C. R20-6-1603 or with a substantially similar rule of the ceding insurer's domiciliary state, in an amount that is not less than one hundred ten percent of the amount of the liabilities assumed.

**CERTIFICATION OF DOMESTIC UNAFFILIATED CREDIT LIFE AND DISABILITY
REINSURER PURSUANT TO A.R.S. § 20-1082(2)**

AFFIDAVIT OF VERIFICATION

State of _____)

County of _____)

_____, President, and _____,
Secretary of _____, being duly sworn, each for him(her)self
deposes and says that they have reviewed the above statements and have performed any steps to obtain reasonable
assurance of their truthfulness, and that the above statements are full and true according to the best of their
information, knowledge and belief, respectively.

_____ President

_____ Secretary

Subscribed and sworn to before me this _____ day of _____, _____.

Notary Public

Commission Expires: _____

Note: Provide a certified Corporate Resolution of Authorization for signers other than the President and Secretary.



Department of Insurance
State of Arizona
Corporate and Financial Affairs Division
2910 NORTH 44TH STREET, SUITE 210
Phoenix, Arizona 85018-7256
Telephone: (602) 912-8420
Telecopier: (602) 912-8421

UNAFFILIATED CREDIT LIFE AND DISABILITY REINSURER
FORM OF IRREVOCABLE LETTER OF CREDIT

A.B.C. Bank
Central Avenue
Phoenix, Arizona

(The heading of the Letter of Credit may include a boxed section, which contains the bank's identifying information for the letter of credit, if clearly marked to indicate the information is for internal identification purposes only)

Letter of Credit No. (00001)

Date _____

Director of Insurance
State of Arizona
2910 North 44th Street, Suite 210
Phoenix, AZ 85018

Director:

1. We hereby establish this clean, irrevocable and unconditional LETTER OF CREDIT in your favor for the account of
(Arizona Unaffiliated Credit Life and Disability Reinsurer) _____ in the amount of \$75,000, available by your draft(s) drawn on us, at sight, bearing the number of this LETTER OF CREDIT NO. (00001). This LETTER OF CREDIT shall expire at our Letter of Credit Department, (bank address), Phoenix, Arizona 85____, at our close of business (July 1, 2000), unless as hereinafter extended.
2. This LETTER OF CREDIT is issued pursuant to the provisions of A.R.S. § 20-1085(B) of Arizona Statutes on behalf of the company referenced in (1) above, which possesses or is applying for a certificate of authority as an unaffiliated credit life and disability reinsurer pursuant to A.R.S. Title 20, Chapter 4, Article 10.
3. This LETTER OF CREDIT shall be automatically extended for additional periods, each of one year, unless at least sixty calendar days prior to the then relevant expiration date we have advised you in writing that we elect not to extend. In that event, you may draw hereunder on or prior to the then relevant expiration date, up to the full amount then available hereunder, against your sight draft(s) on us, bearing the number of this LETTER OF CREDIT. Our notification will be sent to you by Registered Mail at the address set forth above.
4. The foregoing provision is not meant to limit your ability to draw hereunder, up to the full amount then available hereunder, in the event of Court ordered Receivership or otherwise, at any time.
5. Except as stated herein, this undertaking is not subject to any requirement or qualification. Our obligation under this LETTER OF CREDIT is the individual obligation of the Bank, in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien or security interest.
6. Each sight draft so drawn and presented shall be promptly honored by us if presented by you or your designee on or prior to the above stated expiration date or any extension thereof as above provided.
7. OPTIONAL: This LETTER OF CREDIT is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500. Notwithstanding Article 17 of said Publication, in the event that one or more of the occurrences specified in Article 17 of said Publication occurs, then the bank hereby specifically agrees that this letter of credit shall be extended so as not to expire during such interruption of business and shall extend for ten days after such resumption of business.



Department of Insurance
State of Arizona
Corporate and Financial Affairs Division
 2910 NORTH 44TH STREET, SUITE 210
 Phoenix, Arizona 85018-7256
 Trust Deposit Unit: (602) 912-8427
 Telecopier: (602) 912-8421

NOTICE OF TRUST DEPOSIT RELEASE

PLEASE APPROVE RELEASE OF THE FOLLOWING SECURITY FROM THE ACCOUNT OF THE ARIZONA STATE TREASURER ON BEHALF OF THE DIRECTOR OF INSURANCE, WHO IS, IN TURN, HOLDING THE SECURITY FOR:

_____	_____
(Complete Name of Company)	(NAIC#)
Name of Issuer/Description of Security _____	
Par Value: \$ _____	Interest Rate _____ % Market Value: \$ _____
CUSIP #: _____	Certificate Number(s): _____ Maturity Date: _____
Certificate of Deposit Number: _____	
Financial Institution Account Number: _____ (If different than CD Number)	

WHICH IS TO BE CLASSIFIED AS A: (Check one type only)

- HCSO Escrow Reserve Deposit - pursuant to A.R.S. § 20-1056
- Ordinary Statutory Deposit required for authority to transact in Arizona
- Retaliatory Deposit pursuant to A.R.S. § 20-230
- Special Statutory Deposit
- Security Deposit for the benefit of ARIZONA policyholders only
- Workers' Compensation Deposit pursuant to A.R.S. § 23-961

WHOSE INSTRUCTIONS FOR DELIVERY OF RELEASED FUNDS ARE:

- A. The Company authorizes _____ of _____ to take possession of physical securities at a meeting to be scheduled by the Department of Insurance.
- B. Registered mail delivery of physical securities shall be directed to:
 Recipient Name and Title: _____
 Company or Firm Name: _____
 Street Address: _____
 City, State, Zip: _____
- C. Wire Transfer book entry securities or matured security proceeds to:
 Institution: _____
 ABA No.: _____
 Credit Account No.: _____
 City and State: _____
 Other Information: _____

BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY: (authorizing resolution may be required)

Name: _____	Title: _____
Signature: _____	Date: _____
CONTACT PERSON: _____	Title: _____
Collect or Toll Free Phone: _____	Fax: _____

Please call the Trust Deposits Unit at (602) 912-8427 for assistance with completing and filing this form.



Department of Insurance
State of Arizona
Corporate and Financial Affairs Division
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APPLICATION AND ORDER FOR RELEASE OF EXCESS DEPOSIT

A. Application (To be completed by Applicant)

Application is hereby made in accordance with A.R.S. § 20-588 for release of funds deposited with the Arizona State Treasurer, which total \$ _____ in face value, for:

_____ (Name of Company) _____ (NAIC#)
 a _____ corporation, by _____, its duly authorized officer in his/her capacity as _____, who certifies herein that such funds are in excess of the required deposit amount of \$ _____ and that upon release, the remaining amount of funds on deposit, measured at the lesser of \$ _____ in face value or \$ _____ in current market value, satisfy the deposit requirement.

A properly completed and executed Notice of Trust Deposit Release Form E126 is attached which sets forth the complete description of the funds requested to be released and instructions for their delivery.

Please give notice of the order on this matter by mail delivery to:

Signed: _____ Dated: _____

B. Order (To be completed by Department of Insurance)

By authority of the Director of Insurance delegated in accordance with A.R.S. § 20-148 and A.R.S. § 20-150, and in accordance with A.R.S. § 20-588, IT IS HEREBY ORDERED approving the application for release of excess deposit set forth above, effective this _____ day of _____, _____.

 Assistant Director
 Corporate and Financial Affairs Division

Mailed this _____ day of _____, _____ by _____



Department of Insurance
 State of Arizona
 Corporate and Financial Affairs Division
 2910 NORTH 44TH STREET, SUITE 210
 Phoenix, Arizona 85018-7256
 Telephone: (602) 912-8420
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TRUST AGREEMENT CHECKLIST
FOR BUSINESS CEDED TO UNAFFILIATED CREDIT LIFE AND DISABILITY REINSURERS
 Pursuant to A.A.C. R20-6-1603

Ceding Insurer (Beneficiary): _____
Assuming Insurer (Grantor): _____
Trustee: _____
Trustee Address: _____

Note: The following is a list of provisions which are required to be included in a reinsurance treaty trust agreement pursuant to A.A.C. R20-6-1603. It is not an exhaustive list of provisions which may be appropriate to be included in a particular reinsurance treaty trust agreement, nor does it list all provisions which are permitted to be included in a trust agreement or related reinsurance agreement pursuant to A.A.C. R20-6-1603. Review the trust agreement for the following required provisions, check off those provisions that are satisfied, and if applicable, reference the applicable section of the agreement in the space provided.

REQUIRED CONDITIONS:

STATUTORY TEST		COMPLIES (Y/N)	SECTION REF.
1.	The trust agreement shall be entered into between the beneficiary, the grantor and a trustee which shall be a qualified United States financial institution as defined in A.R.S. § 20-261.03. A.R.S. § 20-261.03(B): “Qualified financial institution means an institution that: A. Is organized, or in the case of a United States branch or agency office of a foreign banking institution, licensed, under the laws of the United States or any state of the United States that has been granted authority to operate with fiduciary powers, and B. Is regulated, supervised and examined by federal or state authorities having regulatory authority over banks and trust companies.	<input type="checkbox"/>	<input type="checkbox"/>
2.	The trust agreement shall create a trust account into which assets will be deposited.	<input type="checkbox"/>	<input type="checkbox"/>
3.	All assets in the trust account shall be held by the trustee at the trustee’s office in the United States. (If a foreign branch office of a U.S. bank, refer to A.A.C. R20-6-1603.)	<input type="checkbox"/>	<input type="checkbox"/>
4.	The trust agreement shall provide that:		
	A. The beneficiary shall have the right to withdraw assets from the trust account at any time, without notice to the grantor, subject only to written notice from the beneficiary to the trustee;	<input type="checkbox"/>	<input type="checkbox"/>
	B. No other statement or document is required to be presented in order to withdraw assets, except that the beneficiary may be required to acknowledge receipt of withdrawn assets;	<input type="checkbox"/>	<input type="checkbox"/>
	C. It is not subject to any conditions or qualifications outside of the trust agreement;	<input type="checkbox"/>	<input type="checkbox"/>
	D. It shall not contain references to any other agreements or documents.	<input type="checkbox"/>	<input type="checkbox"/>

TRUST AGREEMENT CHECKLIST
FOR BUSINESS CEDED TO UNAFFILIATED CREDIT LIFE AND DISABILITY REINSURERS
Pursuant to A.A.C. R20-6-1603

STATUTORY TEST	COMPLIES (Y/N)	SECTION REF.
5. The trust agreement shall be established for the sole benefit of the beneficiary.		
6. The trust agreement shall require the trustee to:		
A. Receive assets and hold all assets in a safe place;		
B. Determine that all assets are in such form that the beneficiary, or the trustee upon direction by the beneficiary, may whenever necessary negotiate any such assets, without consent or signature from the grantor or any other person or entity;		
C. Furnish to the grantor and the beneficiary a statement of all assets in the trust account upon its inception and at intervals no less frequent than the end of each calendar quarter;		
D. Notify the grantor and the beneficiary within ten (10) days, of any deposits to or withdrawals from the trust account;		
E. Upon written demand of the beneficiary, immediately take any and all steps necessary to transfer absolutely and unequivocally all right, title and interest in the assets held in the trust account to the beneficiary and deliver physical custody of the assets to the beneficiary;		
F. Allow no substitutions or withdrawals of assets from the trust account, except on written instructions from the beneficiary, except that the trustee <i>may</i> , without the consent of but with notice to the beneficiary, upon call or maturity of any trust asset, withdraw such asset upon condition that the proceeds are paid into the trust account.		
7. The trust account shall provide that at least thirty (30) days, but not more than forty-five (45) days, prior to termination of the trust account, written notification of termination shall be delivered by the trustee to the beneficiary.		
8. The trust agreement shall be made subject to and governed by the laws of the state in which the trust is established.		
9. The trust agreement shall prohibit invasion of the trust corpus for the purpose of paying compensation to, or reimbursing the expenses of, the trustee.		
10. The trust agreement shall provide that the trustee shall be liable for its own negligence, willful misconduct or lack of good faith.		
11. The trust agreement shall provide that assets deposited in the trust account shall be valued according to their fair market value and shall consist only of cash (United States legal tender), certificates of deposit (issued by a United States bank and payable in United States legal tender), and investments of the type permitted by Title 20, Chapter 3 of Arizona Revised Statutes or any combination of the above, provided that such investments are issued by an institution that is not the parent, subsidiary or affiliate of either the grantor or the beneficiary. The trust agreement shall further specify the types of investments to be deposited.		

Type or Print Preparers Name

Title

()

Telephone Number

Date Prepared