REGULATORY BULLETIN 2014-10

TO: All Qualified Unauthorized Insurers

FROM: Germaine L. Marks
   Director

DATE: December 31, 2014

RE: Industrial Insureds – Minimum Qualifying Amounts

The purpose of this regulatory bulletin is to notify unauthorized insurers from whom coverage may be procured to cover risks of Arizona insureds that the criteria for qualifying as an industrial insured change January 1, 2015.

ARS § 20-401.07(C)(1) establish the definition of an industrial insured. The definition, in part, requires an industrial insured to have at least $100,000 in annual gross premiums for property and casualty insurance subject to Title 20, Chapter 2, Art. 4.1, to use a qualified risk manager, and to meet at least one of five other criteria (specified in paragraph (a) through (e). Pursuant to ARS §20-401.07(B), beginning January 1, 2015 and every five years thereafter, the amounts that qualify an insured as an industrial insured under §20-401.07(C)(1) (a) and (e) shall be adjusted to reflect the percentage change for the five-year period in the Consumer Price Index for All Urban Consumers (CPI-U).

The percentage change and adjusted minimum amounts for the affected criteria are as follows:

**Change Calculation**
CPI-U September 2009: 215.969
CPI-U September 2014: 238.031
Percentage Change: 10.2% \( \frac{(238.031 - 215.969)}{215.969} \)

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1 This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes Section 41-1033 for a review of the Statement.

2 Source: CPI Detailed Report, October 2014, Table 24: Consumer Price Index for All Urban Consumers
When applying this percentage calculation to the minimum net worth (§20-401.07(C)(1)(a)) and to the minimum nonprofit organization or public entity annual budgeted expenditures (§20-401.07(C)(1)(e)) required to be considered an industrial insured, the minimum qualifying amounts are as follows:

<table>
<thead>
<tr>
<th>Industrial Insured Criterion</th>
<th>Previous Minimum</th>
<th>Minimum Effective 1/1/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Worth</strong></td>
<td>$20,000,000</td>
<td>$22,040,000</td>
</tr>
<tr>
<td>(ARS § 20-401.07(C)(1)(a))</td>
<td></td>
<td></td>
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<tr>
<td><strong>Annual Budgeted Expenditures</strong></td>
<td>$30,000,000</td>
<td>$33,060,000</td>
</tr>
<tr>
<td>(ARS § 20-401.07(C)(1)(e))</td>
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<td></td>
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</tbody>
</table>

Please be advised that a qualified unauthorized insurer may not sell insurance to any person or entity that does not meet the definition of an industrial insured unless a surplus lines broker has procured the insurance.

Please direct any questions related to this Regulatory Bulletin to Gerald Tharp at (602) 364-3453.