



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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TO: Insurance Institutions, Producers, Insurance Support Organizations
Insurance Trade Associations and Other Interested Parties

FROM: Charles R. Cohen
Director of Insurance

DATE: September 18, 2003

RE: Laws 2003, Chapter 133 (HB2153); Long Term Care Insurance

Laws 2003, Ch. 133 (HB2153) will become effective on September 18, 2003. This bill amends Arizona's long term care insurance statutes for closer conformity with the National Association of Insurance Commissioners' (NAIC) Long-Term Care (LTC) Insurance Model Act. The bill includes a new section, A.R.S. §20-1691.11, which requires LTC insurers to offer the policyholder or certificateholder the option of purchasing a policy or certificate with a nonforfeiture benefit. In addition, the insurer must provide a contingent benefit upon lapse to any policyholder who declines the nonforfeiture benefit and who is subject to a substantial premium rate increase. In the case of group coverage, with one limited exception, the insurer is required to extend the offer of a nonforfeiture benefit to the group policyholder. See A.R.S. § 20-1691.11(B).

Another new subsection, A.R.S. §20-1691.02(7), expressly authorizes the Director of Insurance to adopt rules that specify the type or types of nonforfeiture benefits insurers may offer to comply with A.R.S. 20-1691.11. The Department is developing proposed LTC insurance rules and will post the proposed rules on the [Legislative and Rules Activity page](#) on its web site on or shortly after September 30, 2003. The Department will seek informal comment on the proposed rules for at least 45 days after posting. Obviously, new rules under A.R.S. § 20-1691.02(7) will not be in effect prior to the effective date of HB2153. As a result, there will be a period when there is no rule requiring any particular form of nonforfeiture benefit. Nonetheless, LTC insurers must comply with the requirements of A.R.S. §20-1691.11, and the Department must enforce those requirements.

* 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.

The proposed LTC rules will be based on the NAIC LTC model regulation, already in effect in a number of states. Until the formal promulgation of Arizona's new LTC insurance rules, the Department will refer to the NAIC model for guidance in interpreting and enforcing the requirements of A.R.S. § 20-1691.11. The Department strongly encourages LTC insurers to comply with the requirements of the NAIC LTC insurance model regulation regarding the form and standards for nonforfeiture benefits in order to comply with Arizona's new statutory requirements. Because many LTC insurers are already subject to the nonforfeiture requirements of the NAIC LTC model regulation in other states, reference to the model in Arizona will result in greater uniformity, and may obviate the need to re-file and seek approval for forms used after the effective date of Arizona's new LTC rules. A copy of the NAIC model regulation will be available on the [Legislative and Rule Activity page](#) of the Department's website for 30 days. After that time, it can be purchased from the NAIC Publication's Department.

Please direct any questions regarding this Bulletin to Vista Brown in the Director's Office of the Department, 602-912-8456, or vbrown@id.state.az.us.