



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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Governor

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CHRISTINA URIAS
Director of Insurance

REGULATORY BULLETIN 2005- 3 ¹

TO: All Medicare Supplement Insurers, Insurance Industry Representatives, Insurance Trade Associations and Other Interested Parties

From: Christina Urias
Director

Date: May 27, 2005

RE: **Regulation of Medicare Supplement Insurance**

On December 8, 2003, Congress enacted the Medicare Prescription Drug, Improvement and Modernization Act (MMA). Under the MMA, Medicare Supplement insurance policies issued on or after January 1, 2006 must conform to the MMA requirements pertaining to Medicare Supplement insurance. On May 13, 2005, the Department filed a Notice of Proposed Rulemaking (Proposed Rule) with the Office of the Secretary of State for publication on June 3, 2005. The Proposed Rule is intended to conform Arizona's Medicare Supplement rules with the MMA requirements for Medicare Supplement insurance. The Proposed Rule closely mirrors the "Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act" (Model Regulation) adopted on September 8, 2004 by the National Association of Insurance Commissioners (NAIC).

Pursuant to Arizona Revised Statutes ("A.R.S.") § 41-1032(2) and (3), the Department requested the rulemaking become effective upon filing with the Office of the Secretary of State and anticipates an effective date well before January 1, 2006.

The Department recognizes that insurers offering Medicare Supplement insurance in Arizona may need to prepare policy forms and advertising materials in advance of the rule's effective date. The purpose of this Regulatory Bulletin is to notify insurers and other interested parties that, until the Proposed Rule becomes effective in its final form, the Department will refer to the Proposed Rule when considering Medicare Supplement forms and advertising materials submitted for approval before use. If the final rule differs from the Proposed Rule, the

¹This 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.

Department will allow insurers reasonable time to conform their forms and advertising to the final rule.

The Proposed Rule repeals the following rules: Arizona Administrative Code (“A.A.C.”) R20-6-1102 through R20-6-1121, Appendix A through F. It replaces the repealed rules and appendices with one amended rule: A.A.C. R20-6-1101. A.A.C. R20-6-1101 incorporates by reference the Model Regulation, which is available for viewing at the Department. To address Arizona requirements, the Proposed Rule includes the following modifications to the Model Regulation:

- Definition of certain terms to conform with specific Arizona standards;
- Adoption of Option 1, Subsection G, Section 15F to no longer allow attained age rating in Arizona;
- In Section 8A(7)(c) the addition of the phrase “and pays the premium attributable to the period, effective as of the date of termination of enrollment in the group health plan” after the phrase “date of loss”;
- Deleted the phrase “for similar benefits” in Section 23A; and,
- Deleted the phrase “for benefits similar to those contained in the original policy or certificate” in Section 23B.

The Department will hold an oral proceeding to receive public comments in accordance with A.R.S. §41-1023 on Tuesday, July 5, 2005 at 10:00 a.m. at the Arizona Department of Insurance, 2910 North 44th Street, 3rd Floor Training Room. The Department will accept written comments received and postmarked by 5:00 p.m. on Tuesday, July 5, 2005. The comment period will end and the record will close at 5:00 p.m. on Tuesday, July 5, 2005.

You may direct questions regarding the rulemaking to: Margaret McClelland, Rules Analyst, at (602) 912-8456 or at mmclelland@id.state.az.us.