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ALL INSURANCE TRADE ASSOCIATIONS, INSURANCE MEDIA
PUBLICATIONS, AND INTERESTED PERSONS

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1991 ARIZONA INSURANCE LEGISLATION

The 1991 Arizona Fortieth Legislature, First Regular Session, has recently concluded. Health insurance affordability and availability for the medically uninsurable, military personnel, and long term care insurance for senior citizens were issues addressed by legislation enacted this session. Automobile insurance rates and mandatory automobile insurance were also topics of concern and debate throughout the session. The most significant insurance-related legislation, House Bill 2369, provides a comprehensive revision of Arizona's insurance laws relating to insurer solvency.

In accordance with the Insurance Department (DOI) practice in the past, the following is a brief summary of the major components of the newly-enacted insurance legislation. The summary is not intended to be either an exhaustive listing or detailed legal analysis of the insurance bills that became law. Rather, the intent is to describe the main areas where substantive changes in insurance statutory requirements have taken place. This synopsis should not be considered a legal opinion or otherwise binding interpretation of the legislation. I encourage all interested persons to obtain copies of the signed bills by contacting the Arizona Secretary of State's Office at (602) 542-4285.

The principal insurance legislation is as follows (reference is to the House or Senate bill number as enacted; please note that an "E" after the chapter number indicates that the bill was enacted with an emergency clause):

S.B. 1317 - OMNIBUS BUDGET RECONCILIATION ACT

In addition to numerous other provisions, this omnibus budget reconciliation bill requires DOI to assess a surcharge of fifteen percent on all current license fees, including

certificate of authority fees. The purpose of this assessment is to continue automation of the DOI. The law became effective on June 21, 1991, and is repealed on December 31, 1992. (Chapter 265 E)

S.B. 1329 - MVD RECORDS; INSURANCE AGENT LIMITATIONS

S.B. 1329 authorizes the Motor Vehicle Division (MVD) to release MVD records and information to authorized agents of a licensed liability insurer. The agent must be able to provide MVD with two out of three data requirements: the name of the owner of the vehicle; the vehicle identification number of the vehicle; or the vehicle license plate number assigned to the vehicle. The agent is also required to promptly deliver information obtained from MVD to the insurance company which requested the information. The bill specifies that an agent is guilty of a Class 1 misdemeanor if he or she (1) retains or transfers information acquired from MVD for his or her own use or use by a person other than the insurer who requested the information; (2) uses false representations to obtain MVD records; or (3) sells or distributes information acquired from MVD to a person or organization for purposes other than those specified in the original request. Finally, S.B. 1329 stipulates MVD shall not release any information in a person's driving record related to a traffic violation which occurred forty months or more prior to the request for the information by an insurer, an authorized agent or an insurance agent. (Chapter 142)

H.B. 2027 - HEALTH INSURANCE POLICIES

As enacted, H.B. 2027 combined health insurance-related legislation from four bills heard throughout the legislative session. It contains four major sections:

1. Certain restrictions are placed on insurers, hospital and medical service corporations and health care service organizations issuing conversion policies to individuals and/or dependents who leave group or individual policies. Cancellation or nonrenewal of conversion policies except for nonpayment of premium, fraud or misrepresentation are prohibited. The modification of an existing conversion policy is limited and may not result in the elimination of any original benefit.
2. An omission from H.B. 2181 as enacted in 1990 is corrected. As enacted, H.B. 2181 prohibited insurers from unfairly discriminating against chiropractors and osteopaths in claims payments and was intended to apply to both group and individual policies, as well as hospital and medical service corporation policies. Due to a drafting error, H.B. 2181 excluded group policies. Under the terms of H.B. 2027, unfair discrimination against the health care providers

mentioned earlier in this section is now prohibited in group as well as individual policies.

3. Eligibility requirements for Health Care Group (HCG), the division of AHCCCS which provides insurance to small groups, are modified. The bill increases from twenty-five (25) to forty (40) the number of employees an employer may have to qualify for HCG coverage; allows groups which have been without health insurance for ninety (90) days, instead of six (6) months, to be eligible for HCG coverage; and provides that groups which increase beyond the forty (40) person limit will not lose eligibility.
- 4 Indemnity insurers, hospital and medical service corporations, and health maintenance organizations may issue "small group" health insurance to employer groups of twenty-five (25) or fewer. These "small group" policies must include specific basic benefits, including obstetrical and well-child care, but are not required to provide certain other benefits currently mandated by law. (Chapter 299)

H.B. 2049 - JOINT HEALTH INSURANCE PLANNING COMMITTEE

H.B. 2049 establishes a fifteen (15) member committee charged with examining and making recommendations regarding a "plan of operation" to provide health insurance to the medically uninsurable. Committee membership includes members of the legislature, representatives of the health insurance and health care industries, employers and the public, and the directors of AHCCCS and DOI. The committee is required to report to the legislature and the Governor by December 31, 1991. The report must include the results of the committee's examination of a number of issues, including the creation of a risk pool for the uninsurable; funding mechanisms for any recommendation requiring funding; and the feasibility of adopting the National Association of Insurance Commissioners' model law relating to risk pools. (Chapter 258)

H.B. 2089 - INSURANCE; MILITARY COVERAGE

H.B. 2089 requires the Director of DOI to adopt emergency rules regarding health and disability insurance to permit persons ordered to active military service after August 21, 1990 to reinstate their insurance coverage upon release from military duty subject to prescribed conditions. The rules must address eligibility, dependent coverage, preexisting conditions, probationary periods, and any other relative conditions. This bill was enacted with an emergency clause and became effective February 25, 1991. (Chapter 1 E)