



Department of Insurance

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Director of Insurance

REGULATORY BULLETIN 2009-03¹

To: Insurance Producers, Surplus Lines Brokers, Insurance Industry Representatives, Insurance Trade Associations, Life & Disability Insurers, Property & Casualty Insurers, and other interested parties.

From: Christina Urias
Director of Insurance

Date: August 12, 2009

Re: **2009 Arizona Insurance Laws**

This Regulatory Bulletin summarizes the major, newly enacted legislation affecting the Department, its licensees, and insurance consumers. This summary is not meant as an exhaustive list or a detailed analysis of all insurance-related bills. It generally describes the substantive content, but does not capture all details or necessarily cover all bills that may be of interest to a particular reader. The Department may follow this bulletin with other, more detailed bulletins related to implementation of the legislation. All interested persons are encouraged to obtain copies of the enacted bills by contacting the Arizona Secretary of State's office at 602/542-4086, or from the Arizona legislative web site at <http://www.azleg.state.az.us>. Please direct any questions regarding this bulletin to Karlene Wenz, Executive Assistant for Policy Affairs, 602/364-3471.

Arizona's Forty-ninth Legislature, First Regular Session, adjourned *sine die* on, July 1, 2009. Except as otherwise noted, all insurance related legislation has a general effective date of September 30, 2009.

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 Procedures Act. If you believe that the Substantive Policy Statement does impose additional requirements or penalties on regulated parties you may petition the Agency under Arizona Revised Statute Section 41-1033 for a review of the statement.

INSURANCE-RELATED BILLS ENACTED IN 2009:

HB 2144: insurance; actuarial opinions; financial audits (Ch. 164)

Enacts ARS §§20-697 and 20-697.01 establishing the National Association of Insurance Commissioners (NAIC) standards for property and casualty insurers' actuarial opinions in Arizona law. Requires property and casualty insurers to annually file an actuarial opinion summary prepared in accordance with NAIC standards (the document is confidential when filed with the Department), in addition to the actuarial opinion previously required.

Enacts ARS §20-698, requiring certain insurers to comply with the current NAIC Annual Financial Reporting Model Regulation (the Model Audit Rule) beginning with "the year ending December 31, 2010." Requires large insurers to comply with certain independence requirements in forming the audit committee of its board of directors and requires management to annually file a report of internal control over its financial reporting. Grants the Director the discretion to grant extensions, exemptions and waivers consistent with the requirements of the NAIC Annual Financial Reporting Model Regulation.

Enacts ARS §20-698.01, permitting the Director to adopt rules to implement the new statutes and specifically exempting the Department from rulemaking "relating to requirements of the National Association of Insurance Commissioners Annual Financial Reporting Model Regulation and the Director's authority to grant extensions, exemptions and waivers consistent with those provisions and prescribed in section 20-698."

HB 2145: insurance; network plan; definition (Ch. 39)

Amends ARS §§20-826, 20-1057, 20-1342, 20-1402, 20-1404 and 20-2326:

- Eliminating *The American Medical Association Drug Evaluations and Drug Information for the Health Care Provider* as acceptable medical references for insurers' determination of whether a drug has been found to be safe and effective for treatment of a specific type of cancer.
- Adding the following to the acceptable medical references: *The National Comprehensive Cancer Network Drugs and Biologics Compendium, Thomson Micromedex Compendium Drugex, Elsevier Gold Standard's Clinical Pharmacology Compendium*, and "other authoritative compendia as identified by the Secretary of the United States Department of Health and Human Services."

Amends ARS §20-1379 by redefining "network plan" to include a health insurance plan provided by a health insurer under which the financing and delivery of health care services are provided, in whole or in part, through a defined set of providers under contract with a hospital, medical, dental or optometric service corporation.

HB 2323: health insurance; small business coverage (Ch. 84)

Amends ARS §20-2341 by shortening the time period a small business must be uninsured in order to qualify for Uninsured Small Business Health Insurance Plans from six consecutive months to 90 consecutive days.

Note: HB 2323 also contains the same provisions as enacted in HB 2324, summarized below.

HB 2324: health insurance; individuals; coverage exemptions (Ch. 9)

Enacts ARS §20-846 permitting hospital service corporations, medical service corporations and hospital and medical service corporations to offer health insurance to qualified uninsured individuals that does not include the following benefits for which coverage is mandated for other policies issued to individuals:

- Services within the scope of practice of an allopathic or osteopathic physician or chiropractor if the policy covers the condition. §20-461(A)(17) and (B)
- Coverage for dependent children who at attainment of the limiting age are still dependent due to physical or mental disabilities. §20-826(F)
- Maternity benefits for adopted children. §20-826(J)
- Medical foods to treat inherited metabolic disorders. §20-826(U)
- Podiatric and dental surgeries that would have been covered if performed by a physician. §20-841(A)
- Coverage for psychiatric, drug abuse or alcoholism services in accordance with the terms of the contract without regard to whether the covered services are rendered in a psychiatric special hospital or general hospital. §20-841(C)
- Chiropractic services. §20-841.01
- Services provided by a psychologist. §20-841.02
- Services provided by a nurse or nurse practitioner. §20-841.03
- Standing referrals to specialists. §20-841.04
- Services by out-of-network providers for new subscribers during a transitional period. §20-841.06(A)
- Services by providers recently terminated from the insurer's network during a transitional period. §20-841.06(B)
- Medical supplies conveniently accessible to subscribers. §20-841.07
- Occupational or physical therapy services obtained out-of-network without a referral or a specific prescription. §20-841.08
- After hours and formulary drug authorizations. §20-841.05(B)
- Prescription drugs removed from the insurer's coverage list for sixty days after removal. §20-841.05(E)

Enacts ARS §20-1079 permitting a health care services organization to issue evidence of coverage to qualified uninsured individuals that does not include the following coverage mandates:

- Maternity benefits for adopted children. §20-1057(K) and (L)
- Medical foods to treat inherited metabolic disorders. §20-1057(Y)-(BB)

- Coverage for psychiatric, drug abuse or alcoholism services in accordance with the terms of the contract without regard to whether the covered services are rendered in a psychiatric special hospital or general hospital. §20-1057(C)
- Standing referrals to specialists. §20-1057.01
- Chiropractic services. §20-1057.03
- Out-of-network physicians for new enrollees during a transitional period. §20-1057.04(A)
- Services by health care providers recently terminated from the provider network during a transitional period. §20-1057.04(B)
- Medical supplies conveniently accessible to enrollees. §20-1057.05
- After hours and formulary drug authorizations. §20-1057.02(B)
- Prescription drugs removed from the provider's coverage list for sixty days after removal. §20-1057.02(E)

Enacts ARS §20-1383 permitting a disability insurer to issue a policy to qualified uninsured individuals that does not include the following coverage mandates:

- Services within the scope of practice of an allopathic or osteopathic physician or chiropractor if the policy covers the condition. §20-461(A)(17) and (B)
- Coverage for dependent children who at attainment of the limiting age are still dependent due to physical or mental disabilities. §20-1342.01
- Maternity benefits for adopted children. §20-1342(A)(11) and (12)
- Medical foods to treat inherited metabolic disorders. §20-1342(H)-(K)
- Podiatric and dental surgeries that would have been covered if performed by a physician. §20-1376(A)
- Coverage for psychiatric, drug abuse or alcoholism services in accordance with the terms of the contract without regard to whether the covered services are rendered in a psychiatric special hospital or general hospital. §20-1376(C)
- Chiropractic services. §20-1376.01
- Services provided by a psychologist. §20-1376.02
- Services provided by a nurse or nurse practitioner. §20-1376.03
- Occupational or physical therapy services obtained out-of-network without a referral or a specific prescription. §20-1376.04

Note: These same provisions were enacted in HB 2323. See the summary of HB 2323 above for additional information.

This summary is not an exhaustive list or a detailed analysis of all insurance-related bills enacted in this legislative session. It generally describes the substantive content, but does not capture all details or necessarily cover all bills that may be of interest to a particular reader. The Department may follow this bulletin with other, more detailed bulletins related to implementation of the legislation. This bulletin is available on the Department's web site, www.id.state.az.us. For questions about the bulletin, please contact Karlene Wenz, Executive Assistant for Policy Affairs, at 602/364-3471, or kwenz@azinsurance.gov .