

# COMMITTEE ON INSURANCE AND RETIREMENT

Representative Phil Lovas, Chairman  
Representative John Allen, Vice-Chairman  
Jeanine Jones, Legislative Research Analyst



\* Strike-Everything Amendment  
[E] Emergency Clause  
[P 105] Proposition 105 Clause  
[P 108] Proposition 108 Clause  
[LIV] Line Item Veto  
[W/O] Without Emergency Clause  
[W/S] Without Signature

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**HB 2056 – Chapter 203 – PSPRS; amendments**

Makes administrative changes to PSPRS including clarification of provisions governing disability, survivor benefits, employment of retired employees, local board duties, group health and accident coverage, and benefit eligibility.

**HB 2173 – Chapter 204 [E] – unemployment insurance; omnibus**

Makes a number of changes to the UI system in conformity with federal law, including: imposing a penalty of 15% of benefits received on those who fraudulently receive benefits, modifying notice requirements regarding base period employers, requiring DES to treat LLC's as corporations, and prohibiting DES from crediting employer accounts for erroneous benefit payments paid due to an employer's failure to timely and adequately respond to a DES request and that employer has a pattern of failing to respond timely and adequately. Defines *timely and adequately* and *pattern of failure*. Modifies the Shared Work Plan in conformity with federal law. Contains an emergency clause that provides for the establishment of UI Tax Anticipation Notes (Notes) to provide for the solvency of the UI Trust Fund and pay off debt owed to the US Department of Labor. States that Notes are capped at \$200 million and may only be issued during FY 2013-14. Requires the Director of DES to report quarterly to JLBC and OSPB regarding the Notes and status of the UI system.

**HB 2279 – Chapter 18 – employer; exception; officiating services**

Modifies the definition of *employee* to exclude individuals who officiate in recreational, interscholastic or intercollegiate sporting events, have the ability to accept or reject officiating assignments, who have the right to officiate contests for multiple entities, and who are not otherwise employed by the school sponsor of the sporting event or contest. In addition, sports officials who are not otherwise employed by the state or a political subdivision of the state that is sponsoring a sporting event are considered exempt employees. Defines *officiating services* as the overseeing of sporting events and contests to judge whether the rules are being followed and to penalize participants for violating the rules.

**HB 2294 – Chapter 122 – \*public pensions; court commissioners**

Removes the condition that a full time superior court commissioner be included in Arizona's 218 agreement to be included as a member of ASRS as well as in the definition of *elected official* under provisions governing the EORP.

**HB 2356 – Chapter 57 – insurance; prohibited inducements**

Increases the value of prohibited tangible items, used for inducing entry into an insurance transaction, from \$10 to \$25.

**HB 2357 – Chapter 96 – insurance; fees; exception**

States that A.R.S. § 20-465 does not apply to *commercial insurance*.

**HB 2358 – Chapter 160 – insurance; licensees; continuing education requirements**

Establishes continuing education requirements for the renewal of insurance licenses. Specifies the number of hours and types of classes required, including ethics training. Includes a grandfather clause for certain agents continuously licensed since January 1, 2015.

**HB 2534 – Chapter 152 – insurance; form filing**

Allows for specified forms filed by corporations that hold a certificate of authority under Title 20, Chapter 4, Article 3 of A.R.S. to be deemed approved by DOI 30 days after being filed, unless the Director affirmatively approves or disapproves the form within the 30 day period. Becomes effective March 31, 2013.

**HB 2546 – Chapter 214 – insurance; guaranty fund**

Amends statutory provisions governing the Life and Disability Insurance Guaranty Fund (Fund) by adopting select provisions of the NAIC Model Act. Contains modified and new definitions, distinction between impaired and insolvent insurers, clarification of what persons and policies are covered and not covered, increased coverage limits, and guidance on the Fund's rights regarding alternative policies, reinsurance contracts, assessments, and subrogation rights.

**HB 2550 – Chapter 215 – health insurance; policies; rating areas**

Establishes seven rating areas within Arizona in conformity with the Patient Protection and Affordable Care Act (PPACA) and asserts that the Director of DOI will ensure DOI authority over health care in this state. Modifies time requirements regarding external independent review of coverage denials.

**HB 2562 – Chapter 216 – public retirement systems; ineligible employees**

Establishes guidelines for public employees who are otherwise ineligible for a state retirement plan to be enrolled in the ASRS Defined Contribution (DC) Plan, a tax qualified 401(a). Provides guidelines and procedures for determining an employee's eligibility for a state retirement system and authorizes placement in the DC plan for those employees whose eligibility is disagreed upon by the employer, the state retirement system or the SSA. Ineligible employees are required to enroll in the DC plan with an exception to this requirement when an employee and employer have entered into an alternative employment agreement, which is subject to restrictions under the IRC, or if the employee has already retired from a state system. Requires public employee be enrolled in the DC plan during an appeal of an eligibility determination for ASRS membership. Provides administrative procedures to ensure proper enrollment and collaboration between employers and the state systems. Appropriates the following amounts from the ASRS Administration Account to ASRS for FY 2013-14, which is non-lapsing: 1 FTE, \$72,400 for personal services, \$105,000 for professional services, and \$430,000 to cover the costs of expanded Long Term Disability coverage of 401(a) participants and IRS qualification processes.

**HB 2565 – Chapter 156 – insurance; website posting of policies**

Permits insurers to post policies and endorsements online in lieu of mailing a hard copy to the insured, provided the insurer abides by specified notice requirements on the declarations page. Enables the insured to request a hard copy of their policy or endorsement free of charge. Requires insurers to provide additional notice to customers regarding any changes in the posted forms or endorsements as well as the website address and access instructions.

**HB 2608 – Chapter 217 – EORP; closure; defined contribution**

Closes the current EORP and requires PSPRS to establish and administer the Elected Officials' Defined Contribution Retirement System (EODC). Allows elected officials who are members of EORP prior to January 1, 2014 to remain members of EORP. Allows elected officials who are members of ASRS prior to January 1, 2014 to continue or resume participation in ASRS in lieu of participation in the EODC. Requires all other elected officials who are elected or appointed on or after January 1, 2014 to participate in the EODC and the EODC disability program established by the provisions of this Act. Requires a member of the EODC to contribute 5% gross salary to an annuity account annually and requires employers to contribute 6% of gross salary to each member's annuity account. Requires an employer who participates in EORP and EODC to contribute 23.5% of payroll for all employees participating in either plan to cover the normal cost, amortize the current EORP accrued unfunded liability, and contribute to EODC annuity accounts. Appropriates \$5 million from the GF to EORP each fiscal year from FY 2013-14 through 2042-43.

### **SB 1149 – Chapter 42 – \*insurance; principle-based valuation; reserves**

Adopts and implements provisions of the NAIC Valuation Manual (VM) for principle-based reserves (PBR). Outlines requirements for DOI and insurance companies when applying PBR methods to value reserves. Specifies the types of insurance contracts to which PBR applies, the minimum standard of valuation, actuarial opinion requirements, treatment of confidential documents, and permissive actions of the Director of DOI. The VM becomes operative as of January 1 of the first calendar year following the first July 1 when the following has occurred:

- The NAIC adopts the VM.
- The VM has been enacted by states representing greater than 75% of direct premiums reported in 2008.
- At least 42 of the 55 US jurisdictions have adopted the VM.

### **SB 1170 – Chapter 110 – ASRS; amendments**

Makes administrative changes to ASRS including:

- Allows the ASRS Board to adjust the past service funding requirement amortization period from a rolling 30 day period to a period determined by the Board and consistent with generally accepted actuarial standards.
- Provides for federal conforming changes consistent with IRC § 415.
- Clarifies spousal consent provisions.
- Provides protection for ASRS members' identities by limiting the type of information that may be shared by ASRS with third parties.
- Modifies survivor benefits for new survivors as of January 1, 2014.
- Removes the Permanent Benefit Increase for new members.
- Allows ASRS the option to establish a self-insured health insurance program.
- Appropriates \$200,000 from the ASRS administration fund to ASRS for FY 2013-14.

### **SB 1173 – Chapter 78 – CORP; amendments**

Makes administrative changes to CORP. Modifies disability provisions, clarifies group health and accident coverage, modifies the definition of *physician*, and prohibits retroactive pension and disability payments going back more than 180 days. Requires local boards to meet twice a year, directs death benefits be paid directly to an eligible child at age 18, allows transfer of service via installments, and prohibits a member from accessing the monies in their account until retirement or termination.

### **SB 1174 – Chapter 111 – EORP; amendments**

Makes administrative changes to EORP. Clarifies group health and accident coverage, modifies the definition of *physician*, requires death benefits be paid directly to an eligible child at age 18, allows transfer of service via installments, and prohibits a member from accessing the monies in their account until retirement or termination.

### **SB 1177 – Chapter 35 – insurance; accreditation; receivership liquidation fund**

Codifies provisions adopted by the NAIC to meet accreditation standards. Additionally outlines procedures the Director of DOI may use in evaluating whether an insurance company is in a hazardous financial condition.

**SB 1243 – Chapter 181 – \*exemption; insurance regulation**

Exempts certain non-profit military mutual aid associations who offer life insurance and annuities to their members from regulation under Title 20 of A.R.S. Requires each association and order to file proof of its non-profit status and specified financial information with DOI prior to beginning to do business in Arizona.

**SB 1310 – Chapter 183 – special fund; workers' compensation**

Directs ICA to publish a report detailing the amount of cash and assets in the Special Fund which are attributable or allocated to the payment of claims of insolvent insurers as of June 30, 2013. Contains an applicability clause stating that Laws 2013, Chapter 34 applies to any claim accepted or adjudicated as compensable as of the effective date of Laws 2013, Chapter 34.

**SB 1353 - Chapter 70 – health insurance; telemedicine**

Requires health care insurers to cover outlined health care services provided through telemedicine in rural regions, if those services would be covered if provided in-person, effective January 1, 2015. Requires all services provided through telemedicine to meet all licensure and accredited standards to ensure quality care. Allows a contract, policy or evidence of coverage to limit the coverage to providers who are members of the insurer's provider network. Permits deductibles, copayments, or coinsurance requirements to be imposed for telemedicine services, so long as such costs do not exceed those applicable to an in-person consultation. Specifies that telemedicine health care services do not apply to limited benefit plans.

- Defines *rural region* as either:
  - An area located in a county with a population less than 900,000.
  - A city or town in a county with more than 900,000 people whose nearest boundary is more than 30 miles away from a city with a population of 500,000 or more.