

State of Arizona
Senate
Fifty-second Legislature
First Regular Session
2015

SENATE BILL 1189

AN ACT

AMENDING SECTIONS 20-221 AND 20-224, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-241; AMENDING SECTIONS 20-441, 20-2102, 20-2531, 20-3101 AND 20-3151, ARIZONA REVISED STATUTES; RELATING TO HEALTH INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-221, Arizona Revised Statutes, is amended to
3 read:

4 20-221. Director as agent for service of process

5 A. Each authorized foreign or alien insurer, **INCLUDING FOREIGN**
6 **INSURERS THAT ISSUE POLICIES IN THIS STATE PURSUANT TO SECTION 20-241**, shall
7 appoint the director as its attorney to receive service of legal process
8 issued against it in this state. The appointment shall be irrevocable, shall
9 bind any successor in interest or to the assets or liabilities of the insurer
10 and shall remain in effect as long as there is in force in this state any
11 contract made by the insurer or obligations arising therefrom.

12 B. Service of process against a foreign or alien insurer shall be made
13 only by service of process ~~upon~~ **ON** the director. Service of process against
14 a domestic insurer shall be made ~~upon~~ **ON** the insurer corporation in the
15 manner provided by laws applying to corporations generally, or ~~upon~~ **ON** the
16 insurer's attorney-in-fact if a reciprocal insurer.

17 C. Each foreign or alien insurer at the time of application for a
18 certificate of authority, **OR BEFORE A FOREIGN INSURER ISSUES A POLICY IN THIS**
19 **STATE PURSUANT TO SECTION 20-241**, shall file with the director the name and
20 address of a designated person to whom process against it served ~~upon~~ **ON** the
21 director is to be forwarded. The insurer may change such designation by a
22 new filing.

23 D. Any authorized domestic insurer who does not have or maintain a
24 statutory agent shall appoint the director as its attorney to receive service
25 of legal process issued against it in this state.

26 Sec. 2. Section 20-224, Arizona Revised Statutes, is amended to read:

27 20-224. Premium tax

28 A. On or before March 1 of each year each authorized domestic insurer,
29 **EACH FOREIGN INSURER THAT ISSUES POLICIES IN THIS STATE PURSUANT TO SECTION**
30 **20-241**, each other insurer and each formerly authorized insurer referred to
31 in section 20-206, subsection B shall file with the director a report in a
32 form prescribed by the director showing total direct premium income including
33 policy membership and other fees and all other considerations for insurance
34 from all classes of business whether designated as a premium or otherwise
35 received by it during the preceding calendar year on account of policies and
36 contracts covering property, subjects or risks located, resident or to be
37 performed in this state, after deducting from such total direct premium
38 income applicable cancellations, returned premiums, the amount of reduction
39 in or refund of premiums allowed to industrial life policyholders for payment
40 of premiums direct to an office of the insurer and all policy dividends,
41 refunds, savings coupons and other similar returns paid or credited to
42 policyholders within this state and not reapplied as premiums for new,
43 additional or extended insurance. No deduction shall be made of the cash
44 surrender values of policies or contracts. Considerations received on
45 annuity contracts, as well as the unabsorbed portion of any premium deposit,
46 shall not be included in total direct premium income, and neither shall be

1 subject to tax. The report shall separately indicate the total direct fire
2 insurance premium income received from property located in the incorporated
3 cities and towns certified by the state fire marshal pursuant to section
4 9-951, subsection B, as procuring the services of a private fire company.

5 B. Coincident with the filing of such tax report each insurer shall
6 pay to the director for deposit, pursuant to sections 35-146 and 35-147, a
7 tax of 2.0 ~~per-cent~~ PERCENT of such net premiums, except that the tax on fire
8 insurance premiums on property located in an incorporated city or town
9 certified by the state fire marshal pursuant to section 9-951, subsection B,
10 as procuring the services of a private fire company is .66 ~~per-cent~~ PERCENT,
11 the tax on all other fire insurance premiums is 2.2 ~~per-cent~~ PERCENT and the
12 tax on health care service and disability insurance premiums is as prescribed
13 under sections 20-837, 20-1010 and 20-1060. Any payments of tax pursuant to
14 subsection E of this section shall be deducted from the tax payable pursuant
15 to this subsection. Each insurer shall reflect the cost savings attributable
16 to the lower tax in fire insurance premiums charged on property located in an
17 incorporated city or town certified by the state fire marshal pursuant to
18 section 9-951, subsection B, as procuring the services of a private fire
19 company. No insurer shall be liable to the state or to any other person, or
20 shall be subject to regulatory action, relating to the calculation or
21 submittal of fire insurance premium taxes based in good faith ~~upon~~ ON the
22 state fire marshal's certification.

23 C. Eighty-five ~~per-cent~~ PERCENT of the tax paid under this section by
24 an insurer on account of premiums received for fire insurance shall be
25 separately specified in the report and shall be apportioned in the manner
26 provided by sections 9-951, 9-952 and 9-972, except that all of the tax so
27 allocated to a fund of a municipality or fire district that has no volunteer
28 fire fighters or pension obligations to volunteer fire fighters shall be
29 appropriated to the account of the municipality or fire district in the
30 public safety personnel retirement system and all of the tax so allocated to
31 a fund of a municipality or fire district that has both full-time paid fire
32 fighters and volunteer fire fighters or pension obligations to full-time paid
33 fire fighters or volunteer fire fighters shall be appropriated to the account
34 of the municipality or fire district in the public safety personnel
35 retirement system where it shall be reallocated by actuarial procedures
36 proportionately to the municipality or fire district for the account of the
37 full-time paid fire fighters and to the municipality or fire district for the
38 account of the volunteer fire fighters. A municipality or fire district
39 shall provide to the public safety personnel retirement system all
40 information that the system deems necessary to perform the reallocation
41 prescribed by this section. A full accounting of such reallocation shall be
42 forwarded to the municipality or fire district and their local boards.

43 D. This section shall not apply to title insurance, and such insurers
44 shall be taxed as provided in section 20-1566.

45 E. Any insurer that paid or is required to pay a tax of two thousand
46 dollars or more on net premiums received during the preceding calendar year,

1 pursuant to subsection B of this section and sections 20-224.01, 20-837,
2 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day of
3 each month from March through August a report for that month, on a form
4 prescribed by the director, accompanied by a payment in an amount equal to
5 fifteen ~~per cent~~ PERCENT of the amount paid or required to be paid during the
6 preceding calendar year pursuant to subsection B of this section and sections
7 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments are due and
8 payable on or before the fifteenth day of each month and shall be made to the
9 director for deposit, pursuant to sections 35-146 and 35-147.

10 F. Except for the tax paid on fire insurance premiums pursuant to
11 subsections B and C of this section, an insurer may claim a premium tax
12 credit if the insurer qualifies for a credit pursuant to section 20-224.03,
13 20-224.04, 20-224.06 or 20-224.07.

14 G. On receipt of a properly documented claim, a refund shall be
15 provided to an insurer from available funds for the excess amount of any fire
16 insurance premium improperly paid by the insurer. The insurer shall reflect
17 the refund in the fire insurance premiums charged on the property that was
18 charged the excessive amount.

19 Sec. 3. Title 20, chapter 2, article 1, Arizona Revised Statutes, is
20 amended by adding section 20-241, to read:

21 20-241. Foreign insurers; requirements; registration; fee;
22 revocation; notice; rulemaking; definitions

23 A. NOTWITHSTANDING ANY OTHER LAW, INSURERS OF THE SAME TYPE AS THOSE
24 SUBJECT TO SECTION 20-826, 20-1057, 20-1342, 20-1402 OR 20-1404 THAT ISSUE
25 POLICIES AND THAT HOLD A CERTIFICATE OF AUTHORITY IN ANOTHER STATE MAY ISSUE
26 HEALTH OR SICKNESS INSURANCE IN THIS STATE, AND A PERSON MAY PURCHASE A
27 POLICY, IF THE INSURER PROVIDES EVIDENCE TO THE DIRECTOR THAT WHILE PROVIDING
28 HEALTH OR SICKNESS INSURANCE THE INSURER IS SUBJECT TO THE JURISDICTION OF
29 ANOTHER STATE'S INSURANCE DEPARTMENT AND THAT THE INSURER'S CERTIFICATE OF
30 AUTHORITY REQUIRES THE INSURER TO MAINTAIN FINANCIAL RESERVES OF AT LEAST THE
31 AMOUNT REQUIRED IN THIS STATE. ANY POLICY THAT IS ISSUED FOR HEALTH OR
32 SICKNESS COVERAGE PURSUANT TO THIS SUBSECTION MUST MEET THE BENEFIT
33 REQUIREMENTS OF OTHER POLICIES ISSUED IN THE STATE WHERE THE FOREIGN INSURER
34 HOLDS A CERTIFICATE OF AUTHORITY. ANY POLICY THAT IS ISSUED PURSUANT TO THIS
35 SUBSECTION IS SUBJECT ONLY TO THE BENEFIT REQUIREMENTS OF THAT STATE. A
36 FOREIGN INSURER MAY ONLY ISSUE HEALTH OR SICKNESS INSURANCE IN THIS STATE
37 PURSUANT TO THIS SECTION IF THE STATE IN WHICH THE FOREIGN INSURER HOLDS A
38 CERTIFICATE OF AUTHORITY ALLOWS FOREIGN INSURERS TO OPERATE IN THAT STATE
39 UNDER SUBSTANTIALLY THE SAME TERMS AS THIS SECTION.

40 B. BEFORE A FOREIGN INSURER ISSUES A POLICY, THE FOREIGN INSURER SHALL
41 REGISTER WITH THE DEPARTMENT. AN APPLICATION SHALL BE IN A FORM PRESCRIBED
42 BY THE DIRECTOR AND SHALL BE ACCOMPANIED BY A FEE TO BE ESTABLISHED BY THE
43 DIRECTOR. IF THE DIRECTOR REVOKES A FOREIGN INSURER'S REGISTRATION PURSUANT
44 TO SUBSECTION E OF THIS SECTION, THE DIRECTOR SHALL NOT REGISTER THE FOREIGN
45 INSURER UNDER THIS SUBSECTION FOR TWO YEARS AFTER THE DATE OF REVOCATION.

1 C. IF A FOREIGN INSURER ISSUES A POLICY IN THIS STATE THAT DOES NOT
2 INCLUDE A MANDATED HEALTH COVERAGE UNDER THIS TITLE, AN INSURER THAT HOLDS A
3 CERTIFICATE OF AUTHORITY FROM THIS STATE AND THAT IS SUBJECT TO SECTION
4 20-826, 20-1057, 20-1342, 20-1402 OR 20-1404 MAY ISSUE A POLICY IN THIS STATE
5 THAT DOES NOT INCLUDE THAT MANDATED HEALTH COVERAGE.

6 D. A FOREIGN INSURER MUST NOTIFY THE DEPARTMENT IF THE INSURER HAS
7 BEEN SUBJECT TO ANY REGULATORY ACTION LEVEL EVENT SIMILAR TO A REGULATORY
8 ACTION LEVEL EVENT AS DEFINED IN SECTION 20-488 IN THE STATE WHERE THE
9 INSURER HOLDS A CERTIFICATE OF AUTHORITY.

10 E. THE DIRECTOR MAY REVOKE AN INSURER'S REGISTRATION PURSUANT TO
11 SUBSECTION B OF THIS SECTION IF ANY OF THE FOLLOWING OCCURS:

12 1. THE STATE THAT ISSUED THE INSURER'S CERTIFICATE OF AUTHORITY
13 CHANGES THAT STATE'S FINANCIAL RESERVE REQUIREMENTS TO LESS THAN THE AMOUNT
14 REQUIRED BY THIS STATE.

15 2. THE DIRECTOR ESTABLISHES THAT THE STATE THAT ISSUED THE INSURER'S
16 CERTIFICATE OF AUTHORITY HAS IDENTIFIED AND REPEATEDLY ENFORCED PENALTIES ON
17 THE INSURER FOR VIOLATIONS RELATED TO CLAIM DENIALS, PROMPT PAYMENT, POOR
18 CUSTOMER SERVICE, DECEPTIVE MARKETING PRACTICES OR FRAUDULENT ACTIVITIES.

19 3. THE INSURER FAILS TO COMPLY WITH CHAPTER 2, ARTICLE 6 OF THIS
20 TITLE.

21 4. THE INSURER FAILS TO COMPLY WITH CHAPTER 11 OF THIS TITLE.

22 5. THE INSURER FAILS TO COMPLY WITH CHAPTER 20 OF THIS TITLE.

23 6. THE INSURER HAS BEEN SUBJECT TO ANY REGULATORY ACTION LEVEL EVENT
24 IN THE STATE WHERE THE INSURER HOLDS A CERTIFICATE OF AUTHORITY.

25 7. THE INSURER FAILS TO COMPLY WITH SUBSECTION F OF THIS SECTION ON
26 ANY POLICY SOLD IN THIS STATE.

27 F. EACH WRITTEN APPLICATION FOR A POLICY FOR HEALTH OR SICKNESS
28 COVERAGE ISSUED UNDER THIS SECTION SHALL CONTAIN THE FOLLOWING NOTICE AT THE
29 BEGINNING OF THE DOCUMENT PRINTED IN AT LEAST TWELVE-POINT BOLDFACED TYPE:

30 NOTICE: THIS POLICY IS ISSUED BY (NAME OF INSURER) AND IS
31 GOVERNED BY THE LAWS AND RULES OF THE STATE OF (STATE THAT
32 ISSUED THE INSURER'S CERTIFICATE OF AUTHORITY). THIS POLICY IS
33 NOT SUBJECT TO ALL OF THE INSURANCE LAWS AND RULES OF THE STATE
34 OF ARIZONA, INCLUDING COVERAGE OF SERVICES OR BENEFITS MANDATED
35 BY LAW IN ARIZONA. AS WITH ALL INSURANCE PRODUCTS, BEFORE
36 PURCHASING THIS POLICY, YOU SHOULD CAREFULLY REVIEW THE POLICY
37 AND DETERMINE WHAT HEALTH CARE SERVICES THE POLICY COVERS AND
38 WHAT BENEFITS IT PROVIDES, INCLUDING ANY EXCLUSIONS, LIMITATIONS
39 OR CONDITIONS FOR SUCH SERVICES OR BENEFITS.

40 THE FOLLOWING SERVICES OR BENEFITS MANDATED BY LAW IN
41 ARIZONA ARE NOT INCLUDED IN THIS POLICY:

42 (LIST ALL SERVICES OR BENEFITS MANDATED BY LAW IN ARIZONA
43 THAT ARE NOT INCLUDED IN THIS POLICY.)

44 G. RESIDENTS OF THIS STATE WHO OBTAIN A POLICY FROM A FOREIGN INSURER
45 MAY PARTICIPATE IN THE HEALTH CARE APPEALS PROCESS PRESCRIBED IN CHAPTER 15,
46 ARTICLE 2 OF THIS TITLE.

1 H. EACH INSURER THAT ISSUES ANY POLICY FOR HEALTH OR SICKNESS COVERAGE
2 PURSUANT TO SUBSECTION A OF THIS SECTION, ON OR BEFORE MARCH 1 OF EACH YEAR,
3 SHALL FILE WITH THE DIRECTOR A REPORT OF ITS FINANCIAL CONDITION,
4 TRANSACTIONS AND AFFAIRS AS OF THE PRECEDING DECEMBER 31 FOR TRANSACTIONS IN
5 THIS STATE.

6 I. THE DIRECTOR MAY ADOPT RULES TO IMPLEMENT THIS SECTION.

7 J. A COURT OF THIS STATE MAY EXERCISE JURISDICTION OVER A FOREIGN
8 INSURER THAT ISSUES A POLICY PURSUANT TO THIS SECTION IN THIS STATE WITH
9 RESPECT TO THE POLICY THAT IS ISSUED BY THE FOREIGN INSURER.

10 K. FOR THE PURPOSES OF THIS SECTION:

11 1. "FOREIGN INSURER" MEANS AN INSURER THAT IS FORMED UNDER THE LAWS OF
12 ANOTHER STATE OF THE UNITED STATES.

13 2. "POLICY" INCLUDES ANY CONTRACT, PLAN, COVERAGE OR EVIDENCE OF
14 COVERAGE.

15 Sec. 4. Section 20-441, Arizona Revised Statutes, is amended to read:

16 ~~20-441.~~ Purpose of article; definition

17 A. Among the purposes of this article is the regulation of trade
18 practices in the business of insurance in accordance with the intent of
19 Congress as expressed in the act of Congress of March 9, 1945, 59 Stat. 33,
20 by defining, or providing for the determination of, all such practices in
21 this state that constitute unfair methods of competition or unfair or
22 deceptive acts or practices and by prohibiting the trade practices so defined
23 or determined.

24 B. For the purposes of this article, "insurance company" or "insurer"
25 means any:

26 1. Stock, mutual, reciprocal or title insurer.

27 2. Fraternal benefit society.

28 3. Health care services organization.

29 4. Hospital, medical, dental and optometric service corporation.

30 5. Prepaid dental plan organization.

31 6. Mechanical reimbursement reinsurer.

32 7. Prepaid legal plan.

33 8. Lloyd's association.

34 9. Service company as defined in this title.

35 ~~10. FOREIGN INSURER THAT ISSUES POLICIES IN THIS STATE PURSUANT TO~~
36 ~~SECTION 20-241.~~

37 ~~10-~~ ~~11.~~ ~~Any~~ Other entity licensed under this title.

38 Sec. 5. Section 20-2102, Arizona Revised Statutes, is amended to read:

39 ~~20-2102.~~ Definitions

40 In this chapter, unless the context otherwise requires:

41 1. "Adverse underwriting decision" means any of the following actions
42 involving insurance coverage which is individually underwritten:

43 (a) A declination of insurance coverage.

44 (b) A termination of insurance coverage.

1 (c) Failure of an insurance producer to apply for insurance coverage
2 with a specific insurance institution which the insurance producer represents
3 and which is requested by an applicant.

4 (d) In the case of property or casualty insurance coverage, placement
5 by an insurance institution or insurance producer of a risk with a residual
6 market mechanism, an unauthorized insurer or an insurance institution which
7 specializes in substandard risks, or the charging of a higher rate on the
8 basis of information which differs from that which the applicant or
9 policyholder furnished.

10 (e) In the case of life, health or disability insurance coverage, an
11 offer to insure at higher than standard rates.

12 (f) In the case of property or casualty insurance, assigning an
13 applicant or policyholder to a higher rating tier or failing to apply a
14 premium discount or credit based on any credit related information derived
15 from the applicant's or policyholder's consumer report, insurance score or
16 lack of credit history.

17 Notwithstanding subdivisions (a) through (f) of this paragraph, the
18 termination of an individual policy form on a class or statewide basis, a
19 declination of insurance coverage solely because the coverage is not
20 available on a class or statewide basis or the rescission of a policy is not
21 considered an adverse underwriting decision, but the insurance institution or
22 insurance producer responsible for its occurrence shall provide the applicant
23 or policyholder with the specific reasons for its occurrence.

24 2. "Affiliate" or "affiliated" means a person that directly or
25 indirectly through one or more intermediaries controls, is controlled by or
26 is under common control with another person.

27 3. "Applicant" means any person who seeks to contract for insurance
28 coverage other than a person seeking group insurance that is not individually
29 underwritten.

30 4. "Consumer report" means any written, oral or other communication of
31 information that bears on a natural person's creditworthiness, credit
32 standing, credit capacity, character, general reputation, personal
33 characteristics or mode of living and that is used or expected to be used in
34 connection with an insurance transaction.

35 5. "Consumer reporting agency" means any person who does any of the
36 following:

37 (a) Regularly engages, in whole or in part, in the practice of
38 assembling or preparing consumer reports for a monetary fee.

39 (b) Obtains information primarily from sources other than insurance
40 institutions.

41 (c) Furnishes consumer reports to other persons.

42 6. "Control", including the terms "controlled by" or "under common
43 control with", means the possession, direct or indirect, of the power to
44 direct or cause the direction of the management and policies of a person,
45 whether through the ownership of voting securities, by contract other than a
46 commercial contract for goods or nonmanagement services, or otherwise, unless

1 the power is the result of an official position with or corporate office held
2 by the person.

3 7. "Declination of insurance coverage" means a denial, in whole or in
4 part, by an insurance institution or insurance producer of requested
5 insurance coverage.

6 8. "Individual" means any natural person who:

7 (a) In the case of property or casualty insurance, is a past, present
8 or proposed named insured or certificate holder.

9 (b) In the case of life, health or disability insurance, is a past,
10 present or proposed principal insured or certificate holder.

11 (c) Is a past, present or proposed policyowner.

12 (d) Is a past or present applicant.

13 (e) Is a past or present claimant.

14 (f) Derived, derives or is proposed to derive insurance coverage under
15 an insurance policy or certificate subject to this chapter.

16 9. "Institutional source" means any person or governmental entity that
17 provides information about an individual to an insurance producer, insurance
18 institution or insurance support organization, other than an insurance
19 producer, the individual who is the subject of the information or a natural
20 person acting in a personal capacity rather than in a business or
21 professional capacity.

22 10. "Insurance institution" means any corporation, association,
23 partnership, reciprocal insurer, inter-insurer, Lloyd's association,
24 fraternal benefit society or other person engaged in the business of
25 insurance, including health care service organizations, ~~and~~ hospital,
26 medical, dental and optometric service corporations as defined in this title
27 **AND FOREIGN INSURERS THAT ISSUE POLICIES IN THIS STATE PURSUANT TO SECTION**
28 **20-241**. Insurance institution does not include insurance producers or
29 insurance support organizations.

30 11. "Insurance producer" means an insurance producer as defined in
31 section 20-281.

32 12. "Insurance score" means, for the purpose of insurance underwriting
33 or rating, a designation that is derived by using a variety of data sources,
34 including an individual's consumer report in an algorithm, computer program,
35 model or other process that reduces the data to a number, alpha character or
36 rating that is used for insurance underwriting and rating decisions.

37 13. "Insurance support organization" means:

38 (a) Any person who regularly engages, in whole or in part, in the
39 practice of assembling or collecting information about natural persons for
40 the primary purpose of providing the information to an insurance institution
41 or insurance producer for insurance transactions, including the furnishing of
42 consumer reports or investigative consumer reports to an insurance
43 institution or insurance producer for use in connection with an insurance
44 transaction or the collection of personal information from insurance
45 institutions, insurance producers or other insurance support organizations
46 for the purpose of detecting or preventing fraud, material misrepresentation

1 or material nondisclosure in connection with insurance underwriting or
2 insurance claim activity.

3 (b) Notwithstanding subdivision (a) of this paragraph the following
4 persons are not considered insurance support organizations for purposes of
5 this chapter:

- 6 (i) Insurance producers.
- 7 (ii) Government institutions.
- 8 (iii) Insurance institutions.
- 9 (iv) Medical care institutions.
- 10 (v) Medical professionals.

11 14. "Insurance transaction" means any transaction that involves
12 insurance primarily for personal, family or household needs rather than
13 business or professional needs and that entails the determination of an
14 individual's eligibility for an insurance coverage, benefit or payment or the
15 servicing of an insurance application, policy, contract or certificate,
16 including transfers of business.

17 15. "Investigative consumer report" means a consumer report or portion
18 of a consumer report in which information about a natural person's character,
19 general reputation, personal characteristics or mode of living is obtained
20 through personal interviews with the person's neighbors, friends, associates,
21 acquaintances or others who may have knowledge concerning those items of
22 information.

23 16. "Medical care institution" means any facility or institution that
24 is licensed to provide health care services to natural persons including:

- 25 (a) Health care service organizations.
- 26 (b) Home health agencies.
- 27 (c) Hospitals.
- 28 (d) Medical clinics.
- 29 (e) Public health agencies.
- 30 (f) Rehabilitation agencies.
- 31 (g) Skilled nursing facilities.

32 17. "Medical professional" means any person licensed or certified to
33 provide health care services to natural persons, including a chiropractor,
34 clinical dietitian, clinical psychologist, dentist, nurse, occupational
35 therapist, optometrist, pharmacist, physical therapist, physician,
36 podiatrist, psychiatric social worker or speech therapist.

37 18. "Medical record information" means personal information that
38 relates to an individual's physical or mental condition, medical history or
39 medical treatment and that is obtained from a medical professional or medical
40 care institution, the individual or the individual's spouse, parent or legal
41 guardian.

42 19. "Personal information" means any individually identifiable
43 information gathered in connection with an insurance transaction and from
44 which judgments can be made about an individual's character, habits,
45 avocations, finances, occupation, general reputation, credit, health or any
46 other personal characteristics. Personal information includes an

1 individual's name and address and medical record information but does not
2 include privileged information.

3 20. "Policyholder" means any person who:

4 (a) In the case of individual property or casualty insurance, is a
5 present named insured.

6 (b) In the case of individual life, health or disability insurance, is
7 a present policyowner.

8 (c) In the case of group insurance which is individually underwritten,
9 is a present group certificate holder.

10 21. "Pretext interview" means an interview in which a person, in an
11 attempt to obtain information about a natural person, performs one or more of
12 the following acts:

13 (a) Pretends to be someone he or she is not.

14 (b) Pretends to represent a person he or she is not in fact
15 representing.

16 (c) Misrepresents the true purpose of the interview.

17 (d) Refuses to identify himself or herself on request.

18 22. "Privileged information" means any individually identifiable
19 information that relates to a claim for insurance benefits or a civil or
20 criminal proceeding involving an individual and that is collected in
21 connection with or in reasonable anticipation of a claim for insurance
22 benefits or a civil or criminal proceeding involving an individual, except
23 that information otherwise meeting the requirements of this paragraph is
24 considered personal information under this chapter if it is disclosed in
25 violation of section 20-2113.

26 23. "Residual market mechanism" means an agreement for the equitable
27 apportionment among insurers of insurance afforded applicants who are in good
28 faith entitled to but who are unable to procure insurance through ordinary
29 methods.

30 24. "Termination of insurance coverage" or "termination of an
31 insurance policy" means either a cancellation or nonrenewal of an insurance
32 policy, in whole or in part, for any reason other than the failure to pay a
33 premium as required by the policy.

34 25. "Transfer of business":

35 (a) Means the transfer by an insurance institution or insurance
36 producer that owns the policy expiration of a policyholder's existing policy
37 of insurance or the transfer of a group of policyholders' existing policies
38 of insurance to another insurance institution.

39 (b) Does not include the transfer of business by an insurance producer
40 that is under an exclusive contract or a contract requiring the insurance
41 producer to submit all eligible business to an insurer or group of insurers
42 under a common management.

43 26. "Unauthorized insurer" means an insurance institution that has not
44 been granted a certificate of authority by the director to transact insurance
45 in this state.

1 Sec. 6. Section 20-2531, Arizona Revised Statutes, is amended to read:
2 20-2531. Applicability; requirements

3 A. Notwithstanding article 1 of this chapter and subject to subsection
4 B of this section, this article applies to all utilization review decisions
5 made by utilization review agents and health care insurers operating in this
6 state.

7 B. Each utilization review agent and each health care insurer
8 operating in this state whose utilization review system includes the power to
9 affect the direct or indirect denial of requested medical or health care
10 services or claims for medical or health care services shall adopt written
11 utilization review standards and criteria and processes for the review,
12 reconsideration and appeal of denials that do all of the following:

- 13 1. Meet the requirements of this article.
- 14 2. Are consistent with chapter 1 of this title.
- 15 3. Comply with section 20-2505, paragraphs 2 through 6.

16 C. THIS ARTICLE APPLIES TO FOREIGN INSURERS THAT ISSUE POLICIES IN
17 THIS STATE PURSUANT TO SECTION 20-241.

18 ~~D.~~ D. This article does not apply to utilization review:

19 1. Performed under contract with the federal government for
20 utilization review of patients eligible for all services under title XVIII of
21 the social security act.

22 2. Performed by a self-insured or self-funded employee benefit plan or
23 a multiemployer employee benefit plan created in accordance with and pursuant
24 to 29 United States Code section 186(c) if the regulation of that plan is
25 preempted by section 514(b) of the employee retirement income security act of
26 1974 (29 United States Code section 1144(b)), but this article does apply to
27 a health care insurer that provides coverage for services as part of an
28 employee benefit plan.

29 3. Of work related injuries and illnesses covered under the workers'
30 compensation laws in title 23.

31 4. Performed under the terms of a policy that pays benefits based on
32 the health status of the insured and does not reimburse the cost of or
33 provide covered services.

34 5. Performed under the terms of a long-term care insurance policy as
35 defined in section 20-1691.

36 6. Performed under the terms of a medicare supplement policy as
37 defined by the department.

38 ~~D.~~ E. This article does not create any new private right or cause of
39 action for or on behalf of any member. This article provides only an
40 administrative process for a member to pursue an external independent review
41 of a denial for a covered service or claim for a covered service.

42 ~~E.~~ F. Utilization review activities involving retrospective claims
43 review shall be limited to the provisions of this article only as clearly and
44 specifically provided in the provisions of this article.

1 Sec. 7. Section 20-3101, Arizona Revised Statutes, is amended to read:
2 20-3101. Definitions

3 In this chapter, unless the context otherwise requires:

4 1. "Adjudicate" means an insurer's decision to deny or pay a claim, in
5 whole or in part, including the decision as to how much to pay.

6 2. "Clean claim" means a written or electronic claim for health care
7 services or benefits that may be processed without obtaining additional
8 information, including coordination of benefits information, from the health
9 care provider, the enrollee or a third party, except in cases of fraud.

10 3. "Enrollee" means an individual who is enrolled under a health care
11 insurer's policy, contract or evidence of coverage.

12 4. "Grievance" means any written complaint that is subject to
13 resolution through the insurer's system that is prescribed in section
14 20-3102, subsection F and submitted by a health care provider and received by
15 a health care insurer. Grievance does not include a complaint:

16 (a) By a noncontracted provider regarding an insurer's decision to
17 deny the noncontracted provider admission to the insurer's network.

18 (b) About an insurer's decision to terminate a health care provider
19 from the insurer's network.

20 (c) That is the subject of a health care appeal pursuant to chapter
21 15, article 2 of this title.

22 5. "Health care insurer" means a disability insurer, group disability
23 insurer, blanket disability insurer, health care services organization,
24 prepaid dental plan organization, hospital service corporation, medical
25 service corporation, dental service corporation, optometric service
26 corporation, or hospital, medical, dental and optometric service corporation,
27 **AND INCLUDES A FOREIGN INSURER THAT ISSUES POLICIES IN THIS STATE PURSUANT TO**
28 **SECTION 20-241.**

29 Sec. 8. Section 20-3151, Arizona Revised Statutes, is amended to read:
30 20-3151. Definitions

31 For the purposes of this ~~section~~ CHAPTER:

32 1. "Enrollee" means an individual who is enrolled in a health care
33 plan provided by a health care insurer.

34 2. "Health care insurer" means a disability insurer, group disability
35 insurer, blanket disability insurer, health care services organization,
36 hospital service corporation, medical service corporation or hospital and
37 medical service corporation **AND INCLUDES A FOREIGN INSURER THAT ISSUES**
38 **POLICIES IN THIS STATE PURSUANT TO SECTION 20-241.**

39 3. "Health care plan" means a policy, contract or evidence of coverage
40 issued to an enrollee. Health care plan does not include limited benefit
41 coverage as defined in section 20-1137.

42 4. "Health care professional" means a professional who is regulated
43 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 15.1, 16, 17, 18, 19,
44 19.1, 25, 28, 29, 33, 34, 35, 39 or 41, title 36, chapter 6, article 7 or
45 title 36, chapter 17.