Bulletin 7-92 **April 28, 1992**

MEDICARE SUPPLEMENT INSURANCE—
PROHIBITED PRACTICES

It has come to the attention of the Department that some insurers of medicare supplement policies have taken, or have proposed to take, actions which are contrary to the legislative intent of the open enrollment provision of the Omnibus Budget Reconciliation Act of 1990 ("OBRA '90") and the provisions of Section 10 of Amended Rule and Regulation 27, both of which state that issuers of medicare supplement policies may not deny or condition the issuance or effectiveness of, nor discriminate in the pricing of a medicare supplement policy during the open enrollment period. Those actions include:

1. Creating a disincentive to sell medicare supplement policies during the open enrollment period by establishing compensation arrangements that result in agents receiving substantially lower or no compensation for policies sold to individuals eligible for open enrollment.

2. Applying pre-existing condition limitation waiting periods only to those policies issued pursuant to the open enrollment period.

3. Engaging in premium rating practices which result in higher premiums solely for those policies issued pursuant to the open enrollment provision.

These actions violate the open enrollment provision of OBRA '90 and of Section 10 of Amended Rule and Regulation 27. OBRA '90 contains substantial criminal and civil penalties for issuers and agents who violate requirements of OBRA '90. Furthermore, the Department will not hesitate to take administrative action against issuers who violate provisions of Amended Rule and Regulation 27.

Issuers of medicare supplement policies are responsible for the dissemination of this Bulletin to all of their appointed agents.

Inquires concerning this Bulletin should be directed to the Life and Health Division of this Department at (501) 686-2875.

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INSURANCE COMMISSIONER