

13TH DISTRICT
GIBSON E. ARMSTRONG

Original: 2462

□ SENATE BOX 203013
HARRISBURG, PA 17120-3013
717-787-6535
800-235-1313
FAX 717-772-5471
EMAIL: garmsiro@posen.gov

□ 120 SOUTH QUEEN STREET
LANCASTER, PA 17603
717-397-1309
FAX: 717-299-7798

□ 2997 CAPE HORN ROAD
RED LION, PA 17356
717-246-7981



Senate of Pennsylvania

February 14, 2005

COMMITTEES

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STATE EMPLOYEES' RETIREMENT BOARD
CAPITOL PRESERVATION COMMITTEE
TOBACCO SETTLEMENT
INVESTMENT BOARD

Mr. Peter J. Salvatore
Regulatory Coordinator
Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

Dear Mr. Salvatore:

I read with great interest your letter regarding the Insurance Department Final-Omitted Regulation No. 11-224, Medicare Supplement Insurance Minimum Standards. As chairman of the Banking and Insurance Committee, I have several questions. They are as follows:

1. According to page one of the Regulatory Analysis, states that adopt the language of the NAIC Medicare Supplement model regulation with Federal revisions will be considered to be in compliance with Federal requirements. Can you provide the specific reference in the Federal legislation that establishes the NAIC model as the standard for compliance? Can you also provide a copy of the language?
2. Throughout the regulation the document states that, "The new language is based on the NAIC Medicare Supplement model regulation. (emphasis added)" "Based on" is different than "adopting". How is this sufficient to meet the Federal standard?
3. Can you please reference and copy each instance where the Insurance Department Reg. differs from the NAIC model?
4. While the regulation does reference the Social Security Act and the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, there are no specific references to relevant sections in the MMA. Can you please provide each statutory reference in the MMA that corresponds to the regulatory changes? Can you also provide a copy of the language?
5. The Commissioner references Section 204(3) of the CDL as the reason to use the Final-Omitted process. Can you explain in greater detail than was provided why this is the preferred method? Given that the NAIC passed its model regulation five months ago, can you explain how one year would not have been sufficient to go through the normal process and why the Department waited five months to submit the regulation?

Thank you for your attention to this matter. I look forward to receiving your reply by February 21, 2005.

Sincerely,

Gibson E. Armstrong, Senator
Lancaster and York Counties

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