STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

NED McWHERTER
GOVERNOR

ELAINE A. McREYNOLDS
COMMISSIONER

B U L L E T I N

TO: ALL COMPANIES SELLING MEDICARE SUPPLEMENT POLICIES

FROM: ELAINE A. MCREYNOLDS, COMMISSIONER EAM
DEPARTMENT COMMERCE AND INSURANCE

DATE: AUGUST 29, 1991

RE: INTERPRETATION OF SECTION 56-7-1429(b)(1)(F), T.C.A.
PRE-EXISTING CONDITION PERIODS

It has been reported to the Department of Commerce and Insurance that a number of insurance companies are interpreting Section 56-7-1429(b)(1)(F), T.C.A. incorrectly and are implementing pre-existing condition periods in replacement contracts.

The above cited Section is as follows: Unfair or deceptive acts include "selling a medicare supplement insurance policy to someone who already has a medicare supplement insurance policy, unless the new policy covers pre-existing conditions to the extent of the existing policy immediately or within the time limits of the existing policy".

The purpose of this section is to limit agents' and insurors' use of pre-existing condition clauses in replacement transactions. It is not to be interpreted as allowing a pre-existing condition period in a replacement policy simply because there was no pre-existing condition period in the replaced policy. To restate, if there was no pre-existing condition period in a policy, a replacement policy may not implement a new first time pre-existing condition period. The new policy must "meet" or "do better than" those conditions found in the replaced policy.

The Department expects all claims to be paid from the date of issue on all policies that replaced policies without a pre-existing condition period. All future policies issued as replacements may not contain a new pre-existing condition period just because the replaced policy did not contain a pre-existing clause.

EAM:th