



Illinois Department of Financial and Professional Regulation
Division of Insurance

ROD R. BLAGOJEVICH
Governor

DEAN MARTINEZ
Secretary

MICHAEL T. McRAITH
Director
Division of Insurance

June 24, 2008

To: COMPANY PRESIDENTS
ALL COMPANIES WRITING MEDICARE SUPPLEMENT POLICIES

From: Michael T. McRaith, Director

Re: CB #2008-03 Public Act 095-0436 - Medicare Supplement Under 65
Disabled - Commissions

Reply

To: William McAndrew, Assistant Deputy Director
(217) 782-4254
bill.mcandrew@Illinois.gov

With the passage of Public Act 095-0436 (SB 0873), effective June 1, 2008, all companies writing Medicare supplement insurance in Illinois must guarantee the issuance of all Medicare supplement policies offered in Illinois to persons under the age of 65 who become eligible for Medicare by reason of disability.

The statute also provides that companies shall make available to persons eligible for Medicare by reason of disability each type of Medicare supplement policy the issuer makes available to persons eligible for Medicare by reason of age (215 ILCS 5/363(6)(b)).

It has come to the Division's attention that some companies are trying to avoid the requirements of this law by various means including establishing different commission schedules for agents selling policies to the under 65 population established by the new law. In some instances the commission rate has been dropped to 0%. The purpose of this practice is to avoid the requirements of Public Act 095-0436. Specifically, by establishing such schedules, companies are not making policies available as required by law.

Such practices violate 215 ILCS 5/363(6)(b) and 215 ILCS 364 (Discrimination Prohibited) of the Insurance Code. As such, companies may not establish procedures designed to circumvent the requirements of Public Act 095-0436 by any means, including setting commission schedules for the under 65 population made eligible for Medicare supplement policies due to disability that are different than commissions provided to agents selling such policies to persons that become eligible for Medicare due to age.

Companies that establish such procedures are in violation of the Insurance Code and subject to regulatory action by the Director.