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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

March 18, 2014

Raised Bill No. 479 AN ACT CONCERNING THE AUTHORITY AND DUTIES OF THE CONNECTICUT HEALTH INSURANCE EXCHANGE AND ESTABLISHING CERTAIN STANDARDS FOR CERTAIN STOP LOSS INSURANCE POLICIES.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to provide testimony on **Raised Senate Bill No. 479: An Act Concerning The Authority and Duties of the Connecticut Health Insurance Exchange and Establishing Certain Standards for Certain Stop Loss Insurance Policies**. Generally, raised Bill No. 479 would allow the Connecticut Health Insurance Exchange to make data in the all-payer claims database available to certain public or private entities. The bill also specifies that health carriers shall comply with applicable provisions of sections 38a-1083 and 38a-1091 and procedures adopted by the exchange board. Additionally, the bill authorizes the Insurance Commissioner to suspend, revoke or refuse to renew the license of a health carrier that fails to pay an assessment or user fee to the exchange. Finally, the bill establishes certain standards for stop loss insurance policies in this state for health care or medical benefits.

Should this bill move forward, the Connecticut Insurance Department requests that that the Committee adopts an amendment to strike Section five which pertains to "stop loss". On March 17, 2014 the Department released Bulletin HC-95 regarding stop loss (See the attached document). HC-95 will apply to all policies issued on or after July 1, 2014. The Department understands that Section five was added to this bill at the request of Access Health CT. The Department also understands that after becoming aware of the Department's impending bulletin that Access Health CT is in agreement that this provision is no longer needed and should be removed from the underlying bill.

Additionally, the Department recommends that Section two of this bill and corresponding language found in Section three be stricken from the underlying bill as it merely states that carriers must comply with existing law. The provision appears to be unnecessary as the codification of the existing statutes is sufficient in and of itself to compel compliance.

The Department thanks the Insurance Committee Chairs and members for the opportunity to provide testimony on Senate Bill 479.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.

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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN NUMBERS HC-95 AND PC-75
MARCH 17, 2014

TO: ALL INSURANCE COMPANIES, FRATERNAL BENEFIT SOCIETIES, HOSPITAL SERVICE CORPORATIONS, MEDICAL SERVICE CORPORATIONS AND HEALTH CARE CENTERS THAT ARE LICENSED IN CONNECTICUT TO WRITE PROPERTY OR CASUALTY INSURANCE OR ACCIDENT AND HEALTH INSURANCE

SUBJECT: STOP LOSS INSURANCE COVERAGE AKA EXCESS REIMBURSEMENT INSURANCE POLICIES OR EXCESS INSURANCE COVERAGE POLICIES

This bulletin supersedes Bulletins HC-42 dated February 15, 1990 and HC-44 dated February 14, 1991 regarding Catastrophic Stop Loss Coverage for policies issued on or after July 1, 2014. The existing specific attachment points have not been updated for several years and are lower than many deductibles on health insurance plans. Any stop loss policies issued after July 1, 2014 are subject to the revised attachment points based on the current model of the National Association of Insurance Commissioners. Policies issued prior to July 1, 2014 are subject to the revised attachment points at renewal, but no later than July 1, 2016.

A stop loss policy has the following characteristics:

- The policy insures the issuer of the plan, usually the employer for the benefit of the plan.
- Payment is made to the plan rather than to the individual employee for incurred claims.
- The specific aggregate amount required to trigger the stop-loss coverage will not or is not likely to be reached. Stated another way the claim liability limits should not be set so low that payment by the stop loss insurer is an actuarial certainty.

Since this type of coverage has characteristics of a liability policy as well as an accident and health policy, either a property and casualty insurer or an accident and health insurer may issue such policy. A stop loss policy is not subject to health benefit mandates.

An insurer shall not issue a stop loss policy that:

- Has an annual attachment point for claims incurred per individual that is lower than \$20,000;
- Has an annual aggregate attachment point for groups of fifty (50) or fewer, that is lower than the greater of:
 - \$4,000 times the number of group members;
 - 120 percent of expected claims; or
 - \$20,000.
- Has an annual aggregate attachment point for groups of fifty-one (51) or more that is lower than 110 percent of expected claims; or
- Provides direct coverage of health care expenses of an individual.

An insurer shall determine the number of persons in a group consistent with Connecticut General Statute §38a-564.

All policy form filings should be made through the System for Electronic Rate and Form Filings. An insurer shall file with the commissioner on or before July 1, 2014 and annually thereafter on or before July 1, an actuarial certification that the insurer is in compliance with this Bulletin. A copy of the certification shall be retained by the insurer at its principal place of business. The initial certification shall indicate the number of policies that are not yet subject to the new requirements and note the date that such policies will come into compliance.

Questions

Please contact the Insurance Department Life and Health Division at cid.lh@ct.gov with any questions.

A handwritten signature in cursive script, appearing to read "Thomas B. Leonardi", written in black ink. The signature is positioned above a horizontal line.

Thomas B. Leonardi
Insurance Commissioner