



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Bulletin No. HC-49

July 27, 1994

TO: ALL HEALTH CARE CENTERS AND COMPANIES LICENSED TO WRITE HEALTH INSURANCE IN CONNECICUT

RE: CONNECTICUT SMALL EMPLOYER PLANS (Sections 38a-564 et seq., C.G.S., as amended)

Effective July 1, 1994, the definition of a small employer has been expanded to extend the law to employers with 50 or fewer eligible employees (Public Act 94-214.) All licensed companies shall complete and return to the Insurance Department, by August 31, 1994, the attached certification concerning their status as a "small employer carrier" under §38a-564, C.G.S., as amended. A separate certification must be submitted for each licensed health carrier.

P.A. 94-214

With the exception of two rating provisions discussed below, all provisions of the small employer law became fully applicable to firms with 26-50 eligible employees on July 1. These provisions include:

- guaranteed issue of employee/dependent coverage;
- guaranteed issue of special and statutory small employer health care plans;
- preexisting condition provision restrictions and credits;
- guaranteed renewability of coverage;
- rates may vary among employees only in accordance with certain demographic factors, and not in relation to health status of specific enrollees;
- restriction on industry-related rate factors;
- required disclosure of the use of claim experience in establishing premium rates;
- restrictions on market conduct practices of agents, brokers and small employer carriers;
- annual actuarial certification regarding rating practices;
- participation in Connecticut Small Employer Health Reinsurance Pool (CSEHRP);

- availability of reinsurance through CSEHRP;
- liability for CSEHRP assessments.

Rating

P.A. 93-345 requires that for rating periods beginning on or after July 1, 1994, rates cannot exceed 120% of the base rate, and renewal increases cannot exceed the sum of the change in the base rate plus the change in demographics plus 5%.

Employer groups of 26-50 eligible employees are exempt from these limitations.

P.A. 93-345 also requires adjusted community rating for rating periods beginning on or after July 1, 1995, but in all cases no later than July 1, 1996. As a result of P.A. 94-214, groups of 26-50 eligible employees will be subject to this adjusted community rating requirement. Under this rating methodology, rates may be adjusted to reflect one or more of the following classifications:

- age (using age brackets of 5 years or more);
- gender;
- geographic area (provided area is not smaller than a county);
- industry (factor within 15% of the average of the highest and lowest factors);
- group size (provided ratio of highest to lowest factors does not exceed 1.25);
- family composition (limited categories).

Association Plans

All carriers are reminded that the requirements of the small employer law extend to small employers included in an association/MET type plan as outlined in Bulletin HC-46, dated May 21, 1991. Carriers are also reminded that self-employed persons are small employers under Connecticut law. Questions about the application of these provisions in particular circumstances should be directed to the Insurance Department's Life/Health Division.

Market Conduct.

All carriers should review the provisions of the small employer law regarding market conduct. Public Act 92-125 established fair marketing guidelines for carriers, agents and brokers, including:

- carriers shall promptly offer a statutory or special health care plan to any applicant who is refused for small employer coverage;

- steering is prohibited, as well as encouraging a small employer to drop an individual from a plan;
- refusals to issue a non-statutory plan must be in writing;
- agents must receive reasonable compensation as provided in the CSEHRP plan of operation (currently, a minimum of 75% of a carrier's regular commission schedule) for sales of special or small employer plans.

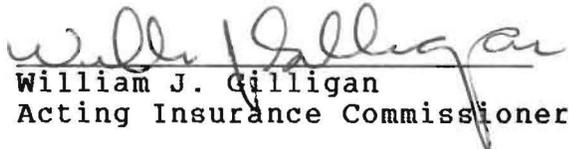
Carriers are reminded that violations of the marketing provisions of the small employer law (Conn. Gen. Stat. §§38a-567(10) to 38a-567(15) inclusive, as amended by P.A. 93-345,) constitute unfair and prohibited practices under Connecticut's unfair insurance practices act. Carriers are responsible for maintaining sufficient records to demonstrate compliance with these marketing guidelines.

Filing

Each carrier must have an approved statutory plan corresponding to each plan that it offers in the small employer market filed with the Insurance Department. Statutory plans must parallel those in the Pool's plan of operation. Additional benefits are not permitted.

Pool

Carriers needing copies of the plan of operations or other information about the pool should contact the pool administrator at 1-800-628-7734.


William J. Gilligan
Acting Insurance Commissioner

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