



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 blue ink, appearing to read "Tom B. Leonardi", is written over a horizontal line.

Thomas B. Leonardi
Insurance Commissioner