

State of Delaware



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Department of Insurance

FORMS AND RATES BULLETIN 13 SMALL EMPLOYER HEALTH INSURANCE

TO: All Life and Health Insurers, Health Maintenance Organizations and Health Service Organizations Licensed to Sell Health Insurance in Delaware

FROM: Donna Lee H. Williams, Insurance Commissioner
State of Delaware

DATE: September 19, 1994

PURPOSE:

The purpose of this Bulletin is providing notice that the Small Employer Health Reinsurance Program becomes operational on October 1, 1994. Therefore, all provisions of 18 Del. C., Chapter 72, Small Employer Health Insurance, and Regulation 73 become fully effective on October 1, 1994. All licensed companies shall complete and return to the Delaware Insurance Department, no later than November 1, 1994, the attached certification regarding their status as a 'small employer carrier' under 18 Del. C., Section 7202(30), as required under Regulation 72, Section 13. A separate certification must be submitted for each licensed health insurance carrier.

These provisions are applicable to 'small employer(s)' as defined in 18 Del. C., Section 7202(29), as amended (see Delaware Insurance Department Forms and Rates Bulletin 12), with 1 to 50 eligible employees and include:

1. Guaranteed issue of employee/dependent coverage;
2. Guaranteed issue of a basic health benefit plan or a standard health benefit plan;
3. In the case of an eligible employee (or dependent of an eligible employee) who, prior to October 1, 1994, was excluded from coverage or denied coverage by a small employer carrier in the process of providing a health benefit plan to an eligible small employer, the small employer carrier shall provide an opportunity for the eligible employee (or dependent of such employee) to enroll in the health benefit plan currently held by the small employer. The opportunity to enroll shall begin October 1, 1994, and shall last for a period of at least three (3) months;
4. An offer to provide a health benefit plan to any small employer whose coverage was terminated or not renewed by such small employer carrier after January 9, 1992, in accordance with Regulation 72, Section 14;
5. Guaranteed renewability of coverage;
6. Rates may vary among employers only in accordance with case characteristics as defined in 18 Del. C., Section 7202(7), as amended, and in relation to health status of specific enrollee's;

7. Restrictions on industry-related rate factors;
8. Required disclosure on the use of claim experience in establishing premium rates;
9. Restrictions on market conduct practices of agents, brokers, and small employer carriers;
10. Annual actuarial certification regarding rating practices;
11. Participation in the Delaware Small Employer Health Reinsurance Program (DESEHRP), unless acting as an authorized risk-assuming carrier;
12. Availability of reinsurance through DESEHRP;
13. Liability of DESEHRP assessments.

ASSOCIATION PLANS:

All carriers are reminded that the requirements of the small employer health insurance law extend to small employers or the employees of a small employer without regard to whether the health benefit plan is offered under or provided through a group policy or trust arrangement of any size sponsored by an association or discretionary group, as prescribed in Regulation 72, Section 3.

MARKET CONDUCT:

All carriers should review the provisions of the small employer law regarding market conduct as found in 18 Del. C. Section 7215 and Regulation 72, Section 12. The law and regulation established fair market guidelines for carriers, agents and brokers, including:

1. Carriers shall promptly offer a basic or standard health benefit plan to any applicant who is refused for small employer coverage;
2. Encouraging or directing small employers to refrain from applying for coverage, or separating or excluding an employee from applying for coverage, is prohibited;
3. Denials of coverage under a small employer health benefit plan must be in writing;
4. Small employer carriers shall establish and maintain a toll-free telephone service to provide information to small employers regarding the availability of small employer health benefit plans in this state;
5. Agents must receive reasonable compensation as provided in the DESEHRP Plan of Operations (level commissions, no more no less than those paid for the sale of other health benefit plans, regardless of the size of the group) for the sale of the basic or standard health benefit plans.

Carriers are reminded that violations of the marketing provisions of the small employer law or regulation constitute an unfair and prohibited practice under 18 Del. C. Section 2303 and 2304. Carriers are responsible for maintaining sufficient records to demonstrate compliance with these marketing guidelines.

FILINGS:

Each carrier must have an approved basic and standard health insurance plan that it offers in the small employer market filed with the Delaware Insurance Department. Basic and standard health benefit plans must comply with those found as appendices to Regulation 72. Additional benefits are not permitted.

DELAWARE SMALL EMPLOYER HEALTH REINSURANCE PROGRAM:

Copies of the Plan of Operation and other information regarding the DESEHRP program are available from the pool administrator:

Karl Ideman, Administrator
The Traveler's
1-800-628-7734