



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

BULLETIN NUMBERS HC-108 & PC-80  
NOVEMBER 12, 2015

**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 rescinds and replaces Bulletins HC-103 & PC-79 issued on July 8, 2015. This bulletin should be read in conjunction with Connecticut Insurance Department joint Bulletin HC-95 and PC-75 dated March 17, 2014.

A stop loss insurance policy insures the employer or its group health plan not the enrollees covered by the plan. The policy may be issued by either a property and casualty insurer or an accident and health insurer and is not regulated as group health insurance. Recent stop loss insurance policy filings have included provisions that are common in health insurance policies, but inappropriate for stop loss policies. A key issue is that stop loss carriers are making individual claims determinations that may be different than those made in the underlying group health policy. A self-funded employer remains legally responsible to pay the claims under the group health plan, but may be financially unable to fulfill its fiduciary obligations due to the limitations found in the stop loss policy.

Stop loss policies will not be approved if they contain provisions relating to the following:

- Claims denials that the employer is legally obligated to pay under the health plan
- Medical necessity determinations
- Usual or customary determinations
- Experimental/investigational determinations
- Case management requirements
- Annual dollar limitations in specific coverages or for specific enrollees
- Mandated provider networks/benefit incentives for enrollees
- Requirements that enrollees be actively at work
- Right to examine enrollees
- Rescission for reasons other than fraud or intentional misrepresentation

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- Early termination at the discretion of the carrier other than in accordance with cancellation and nonrenewal laws applicable to these policies
- Terms or conditions that are misleading, deceptive or contrary to the public interest
- Mid-term rate increases at the discretion of carrier
- Provisions that conflict with state law
- Other provisions that are deemed to be health insurance and inappropriate for an excess loss policy

Lasering is the practice of assigning a different attachment point or deductible or denying coverage altogether for an individual employee or dependent that has a pre-existing, high cost medical condition or other identified risk. Insurers may use lasers when underwriting stop loss plans, but no attachment point for an enrollee shall exceed three times the attachment point chosen for the policy. Lasers cannot be added or changed after the effective date of the policy. Insurers and producers shall fully disclose the increased risk when a laser is used along with any available options to the policyholder. If any lasers are used, the application shall include a statement that the financial risk was fully explained to the policyholder and that the policyholder understands such risk. The signatures of both the policyholder and producer shall be required below such statement if any lasers are used.

Insurers shall not use previously approved forms containing prohibited provisions for policies issued or renewed on or after January 1, 2016. All policy form filings should be made through the System for Electronic Rate and Form Filings. For changes to currently approved forms in compliance with this bulletin, carriers may simply file amendatory language. The filing should indicate the state tracking number of all policies to which the amendment is being made and the date such filings were previously approved. A red-lined version should be included in the filing.

### **Questions**

Please contact the Insurance Department Life and Health Division at [cid.lh@ct.gov](mailto:cid.lh@ct.gov) with any questions.



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Katharine L. Wade  
Insurance Commissioner