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DOMESTIC/FOREIGN INSURERS BULLETIN NO. 14

**ACCIDENT AND HEALTH INSURANCE SALES PRACTICES
IN THE SMALL GROUP MARKET**

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TO: All Companies Authorized to Transact Accident and Health Insurance In the Small Group Market in Delaware

It has come to the attention of the Delaware Insurance Department that some insurance companies selling small group health insurance are attempting to discourage some small groups from obtaining coverage, or continuing coverage with the carriers. These practices include creating disincentives to sell insurance to some small groups, indirectly attempting to deny coverage and services, using delaying tactics with regard to renewals in order to benefit from increased premium payments, or indirectly pressuring the groups to terminate coverage. These practices avoid the requirements of the guarantee issue provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and, as such, are violations of the Unfair Trade Practices Act.

Specific examples reported to the Department include:

- The reduction or discontinuance of commissions to producers who sell to small groups creating a disincentive to sell small group health insurance.
- Delaying action on a "poor risk" group for a rate quote. The carrier delays providing a rate quote in order to cause the applicant to seek coverage with another company.
- The carrier may provide a quote but delay issuing the policy to the group, or the carrier may ask for additional individual health information and then increase the initial price quote at final approval, giving the appearance of a bait and switch tactic.
- The carrier does not provide at least 30 days advance notice of renewal to the group and/or the authorized producer, thereby allowing time for the group to look for other avenues of coverage before the renewal date. This results in the group being forced to pay the higher renewal rate until alternative arrangements can be made if they so desire.
- Delaying the processing of claims, untimely and incorrect billing procedures and delays in responding to inquiries from the group, such as requests for information about the status of an employee. This practice is designed to discourage the client and their agent from seeking renewal coverage from the carrier.

The above list illustrates some of the ways health insurance companies may try to discourage small groups with perceived high risk of claims from obtaining coverage, or from continuing coverage with the carrier. Carriers or producers found in violation of such practices will be subject to administrative penalties, monetary fines, or other action as appropriate.

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