South Carolina Department of Insurance

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BULLETIN NUMBER 2024-13

TO: All Insurers Licensed to Transact Accident and Health Insurance Business within the State of South Carolina and all South Carolina Licensed Health Maintenance Organizations (collectively "Health Insurance Issuers")

FROM: Michael Wise
Director of Insurance

RE: Requirements Applicable to Short-Term, Limited-Duration Insurance Policies (STLDI) and Hospital Indemnity and Other Fixed Indemnity Excepted Benefits Coverage Sold in South Carolina

DATE: November 22, 2024

I. BACKGROUND, SCOPE AND PURPOSE

This Bulletin is directed to all Health Insurance Issuers writing short-term, limited-duration insurance (STLDI) and Hospital Indemnity and Other Fixed Indemnity Excepted Benefits Coverage policies in South Carolina. It sets forth the Department's requirements for these policies in light of the recently released final rule issued by the federal government.[1] This bulletin supersedes and replaces the requirements outlined in Bulletin 2018-08 and any other previously issued bulletin on this subject.

The final rule[2], which became effective September 1, 2024, limits the sale and renewal of STLDI policies to an initial contract term of no more than 3 months and the maximum coverage period to no more than 4 months, including any renewals or extensions. The rule also mandates that certain disclosures must be included for both STLDI and Hospital Indemnity and other Fixed Indemnity Excepted Benefits policies. Those mandatory disclosures are outlined below.

The purpose of the changes in the final rule are to clearly distinguish STLDI and Hospital Indemnity and Other Fixed Indemnity Excepted Benefits Coverage from comprehensive medical coverage and to further clarify that STLDI coverage is a temporary coverage that may help reduce

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[1] The final federal rule was promulgated by the combined efforts of the U.S. Departments of Health and Human Services, Labor and Treasury.
[2] *See* 2024-06551 (89 FR 23338).

financial risks to the consumer. However, it is not comprehensive, major medical health insurance coverage.

II. SUMMARY OF FINAL RULES FOR SHORT-TERM, LIMITED-DURATION INSURANCE (STLDI)

Previously, the federal rules defined STLDI as coverage that had an initial contract term of fewer than 12 months and a maximum total coverage period of up to 36 months, including renewals and extensions. South Carolina Bulletin 2018-08 further clarified that the STLDI benefits available in this state would be limited to an initial term of 11 months and a maximum coverage period of 33 months. Bulletin 2018-18 also explained the disclosure requirements of such policies sold in South Carolina.

The Federal Rule as issued by the U.S. Departments of Health and Human Services, Labor, and Treasury ("The Departments") on March 28, 2024, amended the definition of STLDI insurance to limit the length of the initial contract term to no more than three (3) months and the maximum coverage period to no more than four (4) months, including any renewals or extensions. Further, the final rule provides that a renewal or extension includes STLDI sold by the same issuer, or any issuer that is a member of the same controlled group, to the same policyholder within a 12-month period.

A. NOTICE TO CONSUMERS – STLDI

The final rule issued by The Departments also requires a revised notice with concise and easy-to-understand language. This must be prominently displayed on the first page of the policy, certificate, or contract of insurance, including renewals and extensions. This must also be included in any marketing, application, and enrollment/reenrollment materials.

The notice provisions for STLDI apply with respect to policies issued and coverage periods (including renewals and extensions) **beginning on or after September 1, 2024**. The issuing insurer must include in both the contract and any application materials provided in connection with enrollment the notice prescribed below in Appendix A.

B. FILING OF RATES AND FORMS – STLDI – PRIOR APPROVAL REQUIRED

All forms and rates for STLDI policies should be submitted via SERFF for review and approval. **Both** forms and rates are subject to **prior approval**; and consequently, **must be filed with, and approved by, the Department prior to use**. All other required documents/forms should also be submitted. These include, but are not limited to, policy forms, riders, rates, certifications, filing fees, etc.

Previously filed STLDI policies **must be resubmitted for form and rate review and approval** with the appropriate notice (prescribed below in Appendix A) displayed prominently in accordance

with the new regulations in any application materials and STLDI contracts. These products should be submitted as a new product with a new form number and include all required documentation.

Please note that the preamble to the final rules explains that coverage sold to individuals through a group trust or association, other than in connection with a group health plan, is not group coverage for purposes of federal law and must meet the federal definition of STLDI or it is subject to the federal consumer protections and requirements for comprehensive individual health insurance coverage.[3]

III. SUMMARY OF FINAL RULES FOR HOSPITAL INDEMNITY AND OTHER FIXED INDEMNITY EXCEPTED BENEFITS POLICIES

A. NOTICE TO CONSUMERS – HOSPITAL INDEMNITY AND OTHER FIXED INDEMNITY

The final rule amends the current consumer notice of fixed indemnity excepted benefits coverage ("Fixed Indemnity") and establishes a new requirement for a consumer notice for both group and individual market plans. This notice must be prominently displayed in the policy, certificate, and contract in the individual market; and in the marketing, application, and enrollment/reenrollment materials in both group and individual markets.

For policies issued with an **effective date beginning on or after January 1, 2025**, the issuing insurer must include in both the contract and any application materials provided in connection with enrollment the notice prescribed below in Appendix B.

B. FILING OF RATES AND FORMS – HOSPITAL INDEMNITY AND OTHER FIXED INDEMNITY – PRIOR APPROVAL REQUIRED

All new forms and rates for Hospital Indemnity and Other Fixed Indemnity excepted benefits policies should be submitted via SERFF for review and approval. **Both** forms and rates are subject to **prior approval**; and consequently, **must be filed with, and approved by, the Department prior to use**. All other required documents/forms should also be submitted. These include, but are not limited to, policy forms, riders, rates, certifications, filing fees, etc.

Effective January 1, 2025, previously filed Fixed Indemnity forms **must be resubmitted for form review and approval** with the appropriate notice (prescribed below in Appendix B) displayed prominently in accordance with the new regulations in any application materials and Fixed Indemnity contracts. These may be submitted as a form only filing to comply with the final rule. The notice provisions for group and individual market fixed indemnity excepted benefits coverage apply to both new and existing coverage with respect to plan years **beginning on or after January 1, 2025**.

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[3] *See* 2024-06551 (89 FR 23338) at 23376.

IV. QUESTIONS

Questions regarding this Bulletin should be submitted via email to LAHmail@doi.sc.gov and include complete contact information (with company name, phone number and email address) for follow up.

APPENDIX A
FOR STLDI POLICIES ISSUED ON/AFTER SEPTEMBER 1, 2024

Policies having a coverage start date ***on or after September 1, 2024,*** and any application materials provided in connection with enrollment in such coverage must display prominently in at least 14-point, bold type the Notice set forth below:

IMPORTANT: This is a short-term, limited-duration policy, NOT comprehensive health coverage

This is a temporary limited policy that has fewer benefits and Federal protections than other types of health insurance options, like those on HealthCare.gov

This Policy	Insurance on HealthCare.gov
Might not cover you due to preexisting health conditions like diabetes, cancer, stroke, arthritis, heart disease, mental health & substance use disorders	Can't deny you coverage due to preexisting health conditions
Might not cover things like prescription drugs, preventive screenings, maternity care, emergency services, hospitalization, pediatric care, physical therapy & more	Covers all essential health benefits
Might have **no limit on what you pay** out-of-pocket for care	Protects you with limits on what you pay each year out-of-pocket for essential health benefits
You **won't qualify** for Federal financial help to pay premiums & out-of-pocket costs	Many people qualify for Federal financial help
Doesn't have to meet Federal standards for comprehensive health coverage	All plans must meet Federal standards

Looking for comprehensive health insurance?

- **Visit HealthCare.gov** or call **1-800-318-2596** (TTY: 1-855-889-4325) to find health coverage options.
- To find out if you can get health insurance through your job, or a family member's job, contact the employer.

Questions about this policy?

For questions or complaints about this policy, contact your State Department of Insurance. Find their number on the National Association of Insurance Commissioners' website (naic.org) under "Insurance Departments."

APPENDIX B
FOR FIXED INDEMNITY POLICIES ISSUED OR RENEWED ON OR AFTER JANUARY 1, 2025

IMPORTANT: This is a fixed indemnity policy, NOT health insurance

This fixed indemnity policy may pay you a limited dollar amount if you're sick or hospitalized. You're still responsible for paying the cost of your care.

- The payment you get isn't based on the size of your medical bill.
- There might be a limit on how much this policy will pay each year.
- This policy isn't a substitute for comprehensive health insurance.
- Since this policy isn't health insurance, it doesn't have to include most Federal consumer protections that apply to health insurance.

Looking for comprehensive health insurance?

- **Visit HealthCare.gov** or call **1-800-318-2596** (TTY: 1-855-889-4325) to find health coverage options.
- To find out if you can get health insurance through your job, or a family member's job, contact the employer.

Questions about this policy?

- For questions or complaints about this policy, contact your State Department of Insurance. Find their number on the National Association of Insurance Commissioners' website (naic.org) under "Insurance Departments."
- If you have this policy through your job, or a family member's job, contact the employer.