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VERMONT DEPARTMENT OF FINANCIAL REGULATION
DIVISION OF INSURANCE

Insurance Bulletin No. 187

**IMPORTANT NOTICE REGARDING MID-TERM REPLACEMENT OF HEALTH
INSURANCE COVERAGE FOR GROUPS WITH 51-100 EMPLOYEES**

The purpose of this bulletin is to notify Insurers and Producers that sell health insurance to groups with 51-100 employees that the Department will be scrutinizing any sales activity that needlessly results in consumers being subjected to multiple out-of-pocket expenditures, including co-payments, coinsurance, deductibles or other cost sharing mechanisms. At issue is the effect on consumers of a mid-term policy replacement made prior to January 1, 2016 (the effective date of Vermont Health Connect's expansion of small groups to those with up to 100 employees).

In general, replacement of existing health coverage on a mid-term basis will subject covered persons to additional out-of-pocket health costs which would not have been incurred if the original policy had been kept in force. The replacement of a policy on a mid-term basis in 2015 will have this adverse effect on covered persons.

Since most policies currently renew on a calendar year basis, changing a policy with a January 1, 2016 renewal date to a policy with a non-calendar year renewal date will have the effect of creating a short policy year in 2015. This will subject covered persons to yet another set of coinsurance limits and deductibles and potentially greater out-of-pocket expenses.

The Department will consider a mid-term replacement sale to a group with 51-100 employees to be the sale of an unsuitable policy and a violation of the Unfair Trade Practices Act, unless the Insurer and Producer can document that the policyholder was informed of the potential adverse effects of a mid-term policy change due to additional coinsurance limits, deductibles and other out-of-pocket expenditures, and can provide a sound rationale for any mid-term policy replacement, notwithstanding the potential cost of additional out-of-pocket expenditures.

Dated: July 1, 2015


Susan L. Donegan, Commissioner

