



STATE OF ALASKA  
DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT  
Alaska Division of Insurance

*Sean Parnell, Governor*  
*Susan K. Bell, Commissioner*  
*Linda S. Hall, Director*

## BULLETIN B 12-02

**TO: ALL ADMITTED INSURERS AND LICENSEES TRANSACTING LIFE AND HEALTH INSURANCE IN THE STATE OF ALASKA AND OTHER INTERESTED PARTIES**

**RE: ASSOCIATIONS, LIMITED BENEFIT HEALTH PLANS, AND HEALTH DISCOUNT PLANS**

In recent years, with the rising cost of comprehensive health insurance, many individuals are looking for less expensive coverage. In response to this increased consumer demand, certain associations and their related marketing firms are soliciting association memberships that include limited benefit health insurance plans (LBHPs). The benefits offered through the associations often include not only LBHPs but also access to a preferred provider network. A plan that provides access to a preferred provider network for a fee is regulated as a health discount plan (HDP) in Alaska. LBHPs, HDPs, and combinations of these plans generally target individuals that are underinsured and uninsured, including those unable to afford comprehensive health insurance coverage.

In relation to LBHP marketing and sales practices, the division has grown increasingly concerned over the use of unfiled insurance forms, product misrepresentations, unlicensed sales activity, and entities acting as unauthorized insurers. Improper marketing and sale of LBHPs and HDPs through associations have exacerbated problems for consumers, including those who have cancelled their existing coverage in exchange for these plans believing the plans provided comprehensive health insurance coverage. Further, the division is concerned that insurers are issuing LBHP coverage to associations that are not valid groups under Alaska law.

Given the above, insurers that issue health insurance including LBHPs to associations with Alaska members must take into consideration the following:

1. **Valid Groups:** Before issuing group insurance coverage (including LBHPs) to an association, the insurer must perform a review of the association and determine that the association was established and continues to be maintained in good faith for purposes other than that of obtaining insurance. The insurer must submit information to the division showing that the association complies with this requirement either 1) as supporting documents with a new form filing when the association is known before the filing, or 2) as an informational filing when the insurer plans to issue an association contract using previously approved forms (use the base form type of insurance (TOI) when filing). In addition, a one-

time informational filing **must be submitted to the division for all in-force** health insurance contracts issued to an association **no later than June 1, 2012**.

The following information should be included in the submission:

- a. corporate documents, including association articles of incorporation, state certificate of incorporation, association constitution, and bylaws;
  - b. association general membership and board meeting minutes for the immediately preceding five-year period (including membership attendance and proxies) and other evidence of activities supporting the association's stated purposes and goals;
  - c. evidence showing that association membership does not require the purchase of insurance;
  - d. additional information specified on the division's website under the Rates and Policy Forms link at: <http://commerce.alaska.gov/ins/Insurance/Companies.html>
2. **Licensed/Appointed Producers**: Any person selling insurance benefits including LHBP's to associations **must be licensed** with the division and **must be appointed** by the insurance company issuing the coverage. The insurer should maintain lists of all producers that have sold or are currently selling an insurance policy to an association.
  3. **Insurance Form Filing Requirements**: AS 21.42.120 and AS 21.97.900 require policies, certificates, or other forms evidencing insurance coverage, including LHBP's, to be filed with the division **before** covering a resident of Alaska. This includes all insurance policies issued to associations whether located in or outside of Alaska.
  4. **Compliance With AS 21.36 (Misrepresentation)**: The insurer is responsible for ensuring that marketing and sale of its insurance products including LHBP's complies with Alaska laws including AS 21.36.030 regarding misrepresentation. Under AS 21.36.030(b), "misrepresentation" includes any statement or omission of a statement **that when taken in the context of the whole presentation** may tend to mislead or deceive the person or persons addressed.

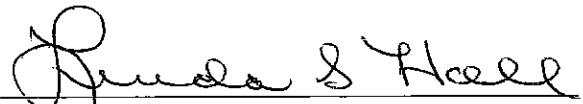
In the past several years, the division has discovered misrepresentations relating to association LBHP coverage including the following:

- a. using terms that overstate the value of benefits (i.e. not properly disclosing the limited nature of the benefits);
- b. representing a LBHP as first dollar coverage and as more beneficial than major medical plans with high deductibles and copayments, and then not providing the scheduled payment limits with this statement;
- c. stating that all pre-existing conditions are accepted, while not describing the pre-existing condition clause limitations with the statement (for example, stating all "pre-existing conditions accepted" without prominently stating "pre-existing conditions are not covered during the first 12 months");
- d. advertising open enrollment dates, when they are not applicable to LHBP's in general.

5. **Compliance With Health Discount Plan Statutes:** The division recommends that, before issuing LBHP coverage to an association, an insurer should consider the way the coverage will be marketed in light of AS 21.36.030(a)(1), (12), (13), and (14) and AS 21.36.505. Associations frequently offer HDPs with LBHP coverage. AS 21.36.505(a)(2) prohibits HDPs from using leased preferred provider networks. HDPs are required to have direct contracts with each provider of the services or supplies listed in conjunction with the plan. The following are among HDP violations the division has observed:
- a. use of leased networks by third-party vendors;
  - b. using common insurance jargon/terms to describe association HDP features;
  - c. misrepresenting HDPs as being sponsored by, associated with, or underwritten by an insurer;
  - d. failing to provide a notice in bold and prominent type that the HDP is not insurance, such as describing HDP features under insurance benefit headings and within the body of health insurance benefit descriptions without stating in bold and prominent type that these features are **not** insurance;

For questions regarding the requirements and information in this bulletin, contact Katie Campbell, Life/Health Actuary (Life & Health Filings), at 907-465-4607 or [Katie.Campbell@alaska.gov](mailto:Katie.Campbell@alaska.gov).

Dated: March ~~30~~, 2012

  
Linda S. Hall  
Director