



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

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BULLETIN NO. 18-12

TO: ALL HEALTH SERVICE CORPORATIONS, HOSPITAL SERVICE CORPORATIONS, MEDICAL SERVICE CORPORATIONS, HEALTH INSURANCE COMPANIES, HEALTH MAINTENANCE ORGANIZATIONS, DENTAL SERVICE CORPORATIONS, DENTAL PLAN ORGANIZATIONS, ORGANIZED DELIVERY SYSTEMS, BROKERS, AND OTHER INTERESTED PARTIES

FROM: MARLENE CARIDE, COMMISSIONER

RE: SHORT-TERM, LIMITED-DURATION INSURANCE

On August 3, 2018, the Federal Internal Revenue Service, Employee Benefits Security Administration, and the Department of Health and Human Services adopted Short-Term, Limited-Duration Insurance, 83 Fed. Reg. § 38212 (August 3, 2018), which amends the definition of “short-term, limited-duration insurance” for purposes of its exclusion from the definition of “individual health insurance coverage” in 26 C.F.R. § 54.9801-2, 29 C.F.R. § 2590.701-2, and 45 C.F.R. § 144.103. Effective October 2, 2018, the adopted rule amendments lengthen the maximum duration of short-term, limited-duration insurance. In light of the adopted rule amendments, the Department of Banking and Insurance (“Department”) is issuing this Bulletin to advise carriers, brokers, and other interested parties that these newly adopted rule amendments do not preempt New Jersey’s laws and regulations as they relate to the sale of short-term, limited-duration insurance policies. The Department additionally reminds carriers, brokers, and other interested parties of the continued prohibition in New Jersey on the sale of short-term, limited-duration insurance policies – a restriction which has been in existence since the creation of this State’s Individual Health Coverage Program market in August 1993.

As required by N.J.S.A. 17B:27A-3, all individual health benefits plans issued in New Jersey on or after August 1, 1993 must comply with the requirements of the Individual Health Coverage Act (“IHC Act”), N.J.S.A. 17B:27A-2 to -16. Under the IHC Act, health benefits plans issued to individuals in New Jersey must be one of the standard health benefits plans promulgated by the IHC Board. All standard health benefits plans are issued on a guaranteed issue basis and are guaranteed renewable on an annual basis and provide comprehensive benefits that exceed the requirements of the Federal Patient Protection and Affordable Care Act, Public Law 111-148, as amended by the Health Care and Education Reconciliation Act, Public Law 111-152. Carriers

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issuing standard health benefits plans must comply with all State and Federal rating and minimum loss standards.

Short-term, limited-duration plans do not qualify as standard health benefits plans and thus they cannot be sold to individuals in New Jersey. Short-term, limited-duration plans provide limited benefits, commonly feature pre-existing condition exclusions, are not offered on a guaranteed issue basis, are not renewable, and do not conform with the minimum loss ratio and rating requirements under New Jersey Law. As such, the sale of short-term, limited-duration plans remains prohibited in New Jersey regardless of the length of the coverage under the short-term, limited-duration policy. New Jersey requirements were not preempted by the recent federal rulemaking.

Any carrier or broker found to be marketing short-term, limited-duration plans to residents of New Jersey will be subject to enforcement action.

To report the marketing of such plans to the Department, please file a complaint as described at the following webpage: <https://www.state.nj.us/dobi/consumer.htm>.

10/29/18
Date

MCaride
Marlene Caride
Commissioner

AV Short-Term, Limited-Duration Bulletin/Bulletins