

# Division of Insurance

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## Insurance Reforms to be Implemented on September 23, 2010

September 23<sup>rd</sup> should loom large in everyone in the health insurance industry's minds. Major elements of the Patient Protection and Affordable Care Act begin on September 23, 2010. The Division of Insurance will be issuing Emergency Rules in order to comply with the September 23<sup>rd</sup> federal requirements.

The first regulations amend current insurance company internal appeal procedures and also requires the establishment of an external review process. Insurance companies must now allow individuals the right to an external review process following an internal appeal. Adverse benefit determinations including rescission decisions will be subject to internal and external review procedures.

Young adults will now be allowed to stay on their parent's plan until age 26. Some insurance companies in South Dakota have allowed this age group to stay on their parent's plan, but it will be mandatory for all for plan years beginning on or after September 23<sup>rd</sup>. After this date, companies will have to offer an open enrollment period to those that are eligible but not currently on their parent's plan. In the case of grandfathered group health plans, this right does not apply if the adult dependants is offered insurance at work.

All non grandfathered plans must now cover certain preventive services. A list of these services can be found at <http://www.healthcare.gov/law/about/provisions/services/lists.html>

Companies will only be able to rescind policies based on fraudulent misstatements or an intentional misrepresentation of material fact.

Insurance companies will no longer be able to impose lifetime dollar limits on essential benefits. There will also be restrictions on annual dollar limits on non grandfathered plans in the individual market and all group plans. HHS has yet to issue the guidance on exactly what services will be considered essential benefits.

Children under the age of 19 cannot be denied coverage due to a pre-existing condition during a yearly open enrollment period for plan years beginning on or after September 23, 2010. South Dakota regulations will require a 45 day open enrollment period each year beginning on July 1, 2011. This applies in the case of all plans except for grandfathered individual market plans. Any individual under the age of 19 may not have a preexisting condition exclusion in any new policy beginning on or after September 23<sup>rd</sup>.

Non-Grandfathered plans in the group and individual market will have to allow for more choice of primary care providers including, available participating physicians that specialize in pediatrics, obstetrics, and gynecology.

The Division of Insurance has dedicated an area on its website specifically to the Patient Protection and Affordable Care Act. The website can be accessed by visiting the DOI homepage or directly at <http://www.state.sd.us/drr2/reg/insurance/ppaca.htm>

### Agent Educational Seminars

The Division of Insurance will be hosting Educational Seminars regarding the September 23, 2010 reforms under the Patient Protection and Affordable Care Act. The Division will offer 2 hours of Health Continuing Education for those in attendance. The seminars are scheduled to take place in Sioux Falls on September 1<sup>st</sup> and Rapid City on September 10<sup>th</sup>.

Please visit the Division of Insurance website for meeting location and times. Individuals are encouraged to pre-register for these seminars online at the Division of Insurance Website at [http://www.state.sd.us/drr2/educationalseminars\\_000.htm](http://www.state.sd.us/drr2/educationalseminars_000.htm).

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## State Receives Grant to Review Health Insurance Rates

South Dakota has received a grant from the U.S. Department of Health and Human Services to assist the state in reviewing health insurance rates and improving consumer access to rate information, Gov. Mike Rounds said today.

The \$1 million grant is designed for use over a three-year period, but the state has no intention of using the full amount, the Governor said.

"We applied for \$585,198 in grant money, and that is all we plan to spend," Gov. Rounds said. "I am not interested in wasting federal funds just because those funds are available."

The South Dakota Division of Insurance already carefully reviews health insurance rate filings, but the federal grant will be used to contract for actuarial services that will provide more comprehensive reviews of rate-increase requests, the Governor said.

The grant will also be used to develop a website where consumers can find information about health insurance rates that have been reviewed by the state Division of Insurance.

"South Dakotans will benefit from this federal grant because it provides for enhanced protection against unjustified rate increases and also improves access to health insurance rate information," Gov Rounds said.

### Schedule Rating Program Bulletin 10-04

Bulletin 10-04, South Dakota Schedule Rating Program. was issued on August 2<sup>nd</sup>, 2010 to all Workers' Compensation Insurers. This bulletin modifies the requirements for the South Dakota Schedule Rating Worksheet and procedures associated with scheduled rating for workers' compensation insurance effective September 1, 2010. A Schedule Rating Plan is optional at the discretion of the insurer. Full text of this Bulletin can be viewed on the Division website at

<http://www.state.sd.us/drr2/reg/insurance/bulletins.htm>

### Recent Administrative Rule Changes and Bulletins

**20:06:48**

Risk Pool Appeals and Risk Pool Plans

**20:06:13**

Medicare Supplement Plans

**20:06:18**

Continuing Education

**20:06:21**

Long Term Care - External Review

**20:06:39**

Association Health Plans

**20:06:08**

Life Insurance

**Bulletin 10-04**

SD Schedule Rating Program

### Proposed Administrative Rules

The South Dakota Division of Insurance currently has proposed rules in chapters 20:06:16, 20:06:39, 20:06:40, and 20:06:53. The Division will also announce emergency rules to comply with the September 23rd reforms required under PPACA.

The rules can be viewed in their entirety at <http://www.state.sd.us/drr2/reg/insurance/Legal/hearing.htm>

# Producer Biennial Birth Month Renewals

Resident, Non-Resident and Surplus Line Brokers will now renew their license on a biennial basis based on their birth month.

The renewal period for resident producers will open 60 days prior to the end of the birth month. If a resident producer adds a qualification to their existing license, the Continuing Education (CE) requirements for the new qualification will be waived until after their next renewal. A table indicating the next renewal deadline for current resident producers who renewed on April 30, 2010 can be viewed on the Division of Insurance Website. There will be a minimum of 24 months for a resident producer to complete their CE requirements prior to their birth month renewal.

New Resident Producers will initially have a 24 – 35 month license in order to allow adequate time for producers to complete full continuing education requirements before their first renewal.

As of May 1, 2010 administrative rule **20:06:18:03** clarified the required hours of CEC for each qualification that a resident producer holds. There will no longer be any pro-ration of hours to meet CEC requirements.

Pursuant to ARSD **20:06:18:03.01** the CE period will be waived for any new qualification added during the 2 year CE period of an existing producer's license until their first renewal. Additionally ARSD 20:06:18:05 no longer allows Instructors to receive 1.5 credit hours for each hour of courses they are teaching.

Non- Resident producer renewal period will open 60 days prior to the end of the birth month. Non-Resident Producers renewal fees, which are retaliatory, will also reflect the change from annual to biennial renewals. **Non-Resident producers will not have an annual renewal in December 2010.** A table indicating the next renewal deadline for current non-resident producers can also be viewed on the Division of Insurance Website.

A newly licensed non-resident producer will be required to renew within the first 13 months after an approved application. After the first renewal the producer will be placed into their biennial birth month renewal.

A Surplus Lines Brokers renewal period will open 60 days prior to the end of the birth month. The renewal fee will be \$100, which reflects the change from annual to biennial renewals. There will no longer be a renewal in April of each year. Surplus Lines Brokers will switch to a birth month renewal starting in January of 2011.

After November 1, 2010, all producers can check their updated license expiration date by visiting the SD Division of Insurance website, <http://www.state.sd.us/insurance/licenseinquiry.htm>. This can be printed for your records if needed.

Make certain your email address is current as notices will be sent electronically prior to your upcoming renewal. Changes to your email address can be made using Sircon's "Update your Email" link at [www.sircon.com/southdakota](http://www.sircon.com/southdakota).

If you have additional questions please contact the South Dakota Division of Insurance.

## *Calendar of Events*

*August 31  
Rules Review  
Committee*

*September 6  
Office Closed*

*September 9  
Risk Pool Board  
Meeting and  
Advisory Panel*

*September 23  
Emergency Rules  
Effective*

*September 28  
Rules Review  
Committee*

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