

South Dakota Division of Insurance

Summer 2007

In this Issue
Page 1

Bulletin 06-02

Sircon for States

Page 2

Long Term Care

Partnership

Multiple Employer

Welfare

Arrangements

Insurance Tips

Page 3

Medicare Advantage

News Release

Certificates of Insurance

Bulletin 06-02

It has been brought to the Division's attention that some agents are not complying with Bulletin 06-02. It is contrary to law (SDCL 58-11-29) to make any false statement on a certificate of insurance. Yet we are receiving reports of agents that have continued to issue certificates of insurance indicating that notice will be provided to persons who are not parties to the contract upon cancellation of coverage, where such persons who have no right under the terms of the policy to receive such notices and for which there is no intent by the insurer to honor the notice provisions of the certificates of insurance. Agents who issue certificates of insurance with false or

fraudulent information could receive a substantial penalty for doing so.

Anyone who is aware of this type of activity is encouraged to contact the Division so we may correct those problems that maybe occurring in the marketplace.

For ease of reference Bulletin 06-02 can be accessed at the following address:
http://www.state.sd.us/drr2/reg/insurance/legal/Bulletin/06_02.pdf.

Sircon for States

The SD Division of Insurance has completed the conversion to Sircon for States. As all producers and insurers get familiar with what is now offered with Compliance Express and Sircon for States, the Division feels that the ease of renewing licenses, managing appointments, and obtaining information about insurance licenses electronically will be beneficial to many. At this time the following is a list of what is available on Compliance Express:

- Non-resident and Resident Applications for individuals
- Business entities Applications
- Non-resident and Resident producer renewals
- Surplus lines broker renewals,
- Appointment processing
- Option for producers to check their license status
- Ability to update producer personal and contact information.

As the year progresses, Compliance Express will be adding a more complete list of applications and renewal processes for insurance producers and firms to use. Future enhancements later this year to Compliance Express will allow the attachments of documentation to an application and renewal electronically. As enhancements become available on Sircon's Compliance Express, notifications will be posted on our Division of Insurance website, and at www.sircon.com/southdakota.

The Division wishes to thank all those in the insurance industry who were affected by these changes for working with us during this transition and for being patient with any problems that were encountered along the way.

20:06:48

Health Insurance Risk Pool
Effective : June 25, 2007

20:06:08

Life Insurance
Effective: July 2, 2007

20:06:21

Long-Term Care Insurance
Effective: July 2, 2007

20:06:28

Form Filing Requirements
Effective: July 2, 2007

20:06:49

Discount Plans- Nominal Processing Fee
Effective: July 2, 2007

To view full text of the promulgated rules visit our website at <http://www.state.sd.us/drr2/reg/insurance/legal/legal.html>

Long Term Care Partnership

In a joint effort with the Department of Social Services and a Working Group composed of stakeholders and legislators, the Division of Insurance is moving forward with implementing the long term care partnership program in South Dakota. Rules have been adopted and have been filed with the Secretary of State. The new rules, which deal with both partnership and non-partnership policies, became effective on July 2, 2007. These rules require Inflation Protection at 3% and allow for the exchange of existing policies by allowing those policies to be ridered or amended to upgrade the benefits to a partnership policy. To view the text of these rules in their entirety you may visit the Division of Insurance website at <http://www.state.sd.us/drr2/reg/insurance/legal/legal.html>. The Division is working with NAIFA and the industry on additional partnership rules which are expected to be completed later this summer. Watch the Division of Insurance website for further updates.

The Division would like to take this opportunity to remind agents when completing an application to put the daily benefit amount of any existing coverage on the application even if it is not asked for. This will ensure that the daily benefit amount of any existing coverage as well as the coverage being applied for is taken into account when determining whether the policy meets the new \$100/day minimum nursing home coverage requirement.

An Informational Power Point on the Long Term Care Partnership can be found on the Division of Insurance website at <http://www.state.sd.us/drr2/reg/insurance/producer/ce.html>. The Division of Insurance in conjunction with the Department of Social Services is preparing training materials for agents throughout the State.

Multiple Employer Welfare Arrangements

Senate Bill 47 became effective July 1, 2007. The law is designed to prevent illegal multiple employer welfare arrangements (MEWA) and other illegal health insurers from doing business in the state. This law requires a licensee to report unauthorized health insurance to the MEWA contact. The MEWA contact is Jeff Smith and he can be reached at 605-773-3563 or via email

at jeff.smith@state.sd.us. To read Senate Bill 47 in its entirety and view other MEWA information including a listing of licensed health insurers go to <http://legis.state.sd.us/sessions/2007/bills/SB47enr.pdf>.

New Research by the National Association of Insurance Commissioners

A survey has found that 33 percent of U.S. heads of households, who own a home and have homeowners insurance, incorrectly believe flood damages would be covered by a standard homeowners or property and liability policy. The NAIC survey also revealed other homeowner misunderstandings when it comes to common loss situations- none of which are covered by standard homeowners insurance policies- such as:

- 68 percent think vehicles such as cars, boats and motorcycles stolen from or damaged on their property are covered
- 51 percent think damages from a break in the water line on their property supplying water to their home are covered
- 37 percent think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered
- 35 percent think damages from earthquakes are covered
- 34 percent think damages from mold are covered
- 31 percent think damages from termites or other infestation are covered
- 22 percent think pets stolen from or injured on their property are covered

Other Potential Consumer Misunderstandings

- 24 percent indicated their policies insured their homes for the actual cash value
- 64 percent said their policies covered replacement cost
- 12 percent said they did not know which type of coverage, actual cash value or replacement cost they purchased

Insurance Tips for Homeowners

- Add insurance coverage as you enhance the value of your home and acquire expensive possessions, such as furniture, computers, stereos, and televisions.
- Alert your insurance company when making any major home improvements usually anything more than \$5,000. Also, update your homeowners insurance policy to reflect the new enhancements and prevent being underinsured
- In maintaining your residence, realize that you are liable for things that happen on your premises. Keep in mind that in many states you could be held legally responsible for the actions of anyone who drinks in your home and then as an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Backyard items, such as a trampoline or pool may require you to increase your liability coverage through an umbrella policy that protects you in the event that someone is injured while on your property.
- As you acquire more valuables- jewelry, family heirlooms, antiques, art consider purchasing an additional “floater” or “rider” to your policy to cover these special items. They’re typically not covered by a basic homeowners or renter’s policy.
- It’s a good idea to make an inventory of all your personal property, along with a photography or video of each room. Also, save your receipts for major items and keep them in a safe place away from your house or apartment. That will make it easier if you ever need to file a claim.

Reminder-

As of May 1, 2007 the Division of Insurance is no longer accepting paper filings or checks of any kind pursuant to Bulletin 07-01. All filings must be submitted electronically through SERFF. Companies will be billed quarterly for their filing fees.

NEWS RELEASE

Reprinted by permission of the Attorney General

Larry Long

South Dakota Attorney General

Released on April 23, 2007

Contact Sara Rabern (605) 773-3215

Mark Barnett

Chief Deputy Attorney General

PIERRE, S.D.- South Dakota seniors are being targeted by some individuals that use aggressive marketing tactics to get them to consider changing their Medicare health-care coverage. Medicare beneficiaries across the state have reported feeling pressure to switch to Medicare Advantage Plans even though the coverage they already have may suit them well. Even more alarming are the number of seniors who are reporting that they were switched to a Medicare Advantage Plan without their knowledge. Many of the seniors who were switched without knowing it thought that they were signing up for the stand-alone Medicare Part D plans that cover prescription drugs only. They learn that they have been switched to a Medicare Advantage Plan after they have been hospitalized and Medicare denies payment because they no longer belong to the traditional Medicare Program. Correcting this unauthorized switch can take months and causes many problems with the doctors and hospitals that do the billing.

Medicare Advantage Plans, also known as Medicare Health Plans come in forms such as HMO's, PPO's, and Private-Fee-for-Service Plans. Recent Medicare reform laws have allowed beneficiaries a greater number of choices in how they receive their health-care coverage, making this area of healthcare highly competitive.

Seniors must use caution when selecting a plan because not all doctors or hospitals accept all Medicare Advantage Plans. Also, there may be monthly premiums as well as high out of pocket co-pays and deductibles for hospitalizations.

Marketing guidelines established by the Centers for Medicare and Medicaid Services, the federal agency that oversees the Medicare program, prohibit agents from going door-to-door and soliciting. The sales approach many of the agents are using is offering a "community information session" on Medicare Advantage. If you attend one of these sessions, be careful not to give out your name or address and NEVER give your Medicare or Social Security number, unless you intend to enroll in a Plan.

If you have been switched to a Medicare Advantage Plan without your knowledge or full understanding please contact the South Dakota Division of Insurance at 1-605-773-3563 or the Consumer Protection Division 1-800-300-1986. For more information on ways to protect yourself or to report possible Medicare fraud, call the South Dakota Senior Medicare Patrol at 1-800-822-8804 (east river) or 1-800-695-6168 (west river).