

806 KAR 17:450. Insurance purchasing outlet requirements.

RELATES TO: KRS 304.2-310, 304.9-052, 304.17A-200, 304.17A-750-304.17A-770, 304.47-020

STATUTORY AUTHORITY: KRS 304.2-110(1), 304.17A-752(3), 304.17A-758(8), 304.17A-760(1)(i), 304.17A-762(3)(c), 304.17A-768(8)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110(1) authorizes the Executive Director of Insurance to make reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code as defined in KRS 304.1-010. KRS 304.17A-752(3) authorizes the executive director to promulgate administrative regulations necessary to administer KRS 304.17A-750 through 304.17A-770. KRS 304.17A-758(8) requires the executive director to promulgate regulations to establish fees for the initial registration and renewal of registration of an insurance purchasing outlet. KRS 304.17A-760(1)(i) requires the executive director to promulgate administrative regulations to establish a process for insurance purchasing outlets to prepare and file annual reports on the operations of the insurance purchasing outlet. KRS 304.17A-762(3)(c) requires the executive director promulgate regulations to establish disclosures that are required to be made by the insurance purchasing outlet to insurance purchasing outlet members when the member enrolls. KRS 304.17A-768(8) requires the executive director to promulgate administrative regulations to implement the provisions of that section involving vouchers. This administrative regulation establishes insurance purchasing outlet requirements, procedures for registering insurance purchasing outlets, and the voucher process.

Section 1. Definitions.

- (1) "Business entity" means an applicant for a certificate of registration to act as an insurance purchasing outlet.
- (2) "Executive Director" of Insurance.
- (3) "Office" means Office of Insurance.
- (4) "Eligible employee" is defined in KRS 304.17A-750(1).
- (5) "Employer" is defined in KRS 304.17A-750(3).
- (6) "Insurance purchasing outlet" is defined in KRS 304.17A-750(4).
- (7) "Insurance purchasing outlet member" or "member" is defined in KRS 304.17A-750(5).
- (8) "Voucher" is defined in KRS 304.17A-750(7).

Section 2. Application for Certificate of Registration.

- (1) A business entity seeking issuance of or renewal of a certificate of registration shall submit to the office the following:
 - (a) A completed Insurance Purchasing Outlet Application for Registration, HIPMC-IPO-1 (7/02);
 - (b) All the documentation and information required by KRS 304.17A-754(4); and
 - (c) A fee as required by Section 3 of this administrative regulation.
- (2) Since KRS 304.4-010(2) requires all fees payable under the insurance code to be collected in advance, the period of time in which the executive director may act on an application for issuance of a certificate of registration, pursuant to KRS 304.17A-754(3), shall not commence, until the following are received by the office:
 - (a) All the information required by KRS 304.17A-750 through 304.17A-768 and Sections 2 through 8 of this administrative regulation; and
 - (b) Appropriate fee pursuant to Section 3 of this administrative regulation.
- (3) A business entity seeking to renew a certificate of registration to act as an insurance purchasing outlet shall file an application to renew a certificate of registration:
 - (a) Biennially in accordance with KRS 304.17A-758(6); and

- (b) At least ninety (90) days prior to expiration of the certificate of registration.
- (4) Upon receipt of an application for issuance or renewal of certificate of registration, the office shall:
 - (a) Inform the applicant if supplemental information is or is not needed:
 - 1. Applicant shall submit requested information within thirty (30) days; or
 - 2. If requested information is not provided to the office within thirty (30) days, the office shall:
 - a. Deny the application for issuance or renewal of a certificate of registration to act as an insurance purchasing outlet; and
 - b. Not refund the application fee;
 - (b) Review the application and material required by KRS 304.17A-754(4) and Sections 2 through 8 of this administrative regulation; and
 - (c) Approve or deny issuance or renewal of the certificate of registration to act as an insurance purchasing outlet.
- (5) Pursuant to KRS 304.17A-754(5), an insurance purchasing outlet shall submit to the office a change to the original documentation or information that was submitted to the office for issuance or renewal of a certificate of registration as follows:
 - (a) All updated documentation or information shall be submitted to the office within thirty (30) days after the insurance purchasing outlet knew of the change; and
 - (b) A fee to submit updated information shall be paid in accordance with Section 3 of this administrative regulation.

Section 3. Fees.

- (1) An application for issuance of a certificate of registration to act as an insurance purchasing outlet shall be accompanied by a fee of \$200 dollars to pay administrative and other costs associated with carrying out the provision of KRS 304.17A-750 through 304.17A-768.
- (2) A submission to change the information filed by an insurance purchasing outlet, in accordance with KRS 304.17A-754(5), and Sections 2 through 8 of this administrative regulation, shall be accompanied by a fee of twenty-five (25) dollars to pay administrative and other costs associated with carrying out the provisions of KRS 304.17A-750 through 304.17A-768.
- (3) An application to renew a certificate of registration as an insurance purchasing outlet, in accordance with KRS 304.17A-758(6), shall be accompanied by a fee of fifty (50) dollars to pay administrative and other costs associated with carrying out the provisions of KRS 304.17A-750 through 304.17A-768.

Section 4. Annual and Quarterly Financial Statements Required. In accordance with requirements and timeframes established in KRS 304.17A-758 and 304.17A-760, an insurance purchasing outlet shall:

- (1) Annually, submit:
 - (a) In accordance with the timeframe established in KRS 304.17A-758(4), an annual financial statement, including an audited financial statement, in accordance with the HIPMC-IPO-3 (9/02); and
 - (b) Within sixty (60) days after the end of the fiscal year of the insurance purchasing outlet, a report on operations in accordance with the HIPMC-IPO-2 (9/02). The report shall include:
 - 1. Membership enrollment in tabular form by:
 - a. Month;
 - b. Quarter; and
 - c. Year-to-date; and
 - 2. Discussion and analysis of financial condition and results of operations.

(2) Quarterly, submit a financial statement, in accordance with the format established in HIPMC-IPO-4 (9/02).

(3) An insurance purchasing outlet shall file its financial statements, as required by KRS 304.17A-758, in accordance with Financial Accounting Standards Board Statements.

Section 5. Advertising and Marketing Materials Required to be Filed. An insurance purchasing outlet shall file all advertising and marketing materials, of any nature, with the executive director for informational purposes:

(1) Materials submitted shall contain a form number on the lower left hand corner of every page of the filed document; and

(2) A filing fee of five (5) dollars for each form or marketing material shall be required to be submitted at the time of the filing.

Section 6. Disclosures Required.

(1) In writing, and at the time of enrollment, an insurance purchasing outlet shall provide disclosures to its members as follows:

(a) Premium payment procedures;

(b) Voucher payment procedures;

(c) The insurance purchasing outlet's reinstatement policy for members terminated for nonpayment of premium; and

(d) As required by KRS 304.17A-762(3).

(2) In writing, the insurance purchasing outlet shall provide the following disclosures to an eligible person or eligible employee when an application for membership is submitted:

(a) The appeal rights for a person denied membership in the insurance purchasing outlet as required by KRS 304.17A-754(4)(c); and

(b) The enrollment procedures of the insurance purchasing outlet.

Section 7. Vouchers.

(1) An insurance purchasing outlet shall:

(a) Accept all vouchers; and

(b) Submit the voucher to the insurance purchasing outlet member's employer for payment within five (5) business days of receipt of the voucher from the member.

(2) If the insurance purchasing outlet does not receive payment for the voucher from the member's employer within ten (10) business days of submission, the insurance purchasing outlet shall notify the member, within three (3) business days, by certified mail return receipt requested, that the member's employer failed to redeem the voucher within the required time. At the same time, the insurance purchasing outlet shall also notify the member that he may pay the premium amount directly to the insurance purchasing outlet pursuant to KRS 304.17A-768(2).

(3) A voucher shall contain the following information:

(a) The name of the employer;

(b) The mailing address of the employer;

(c) The business telephone number of the employer;

(d) The tax identification number of the employer;

(e) The name of the employee;

(f) The employee's Social Security number;

(g) The dollar amount of the voucher;

(h) The dates during which the voucher is valid; and

(i) That the voucher is nonassignable and nontransferable as specifically stated in KRS 304.17A-768(1).

Section 8. Reinstatement Policy Required.

(1) An insurance purchasing outlet shall have a reinstatement policy for an eligible employee and an eligible person who is terminated from the health benefit plan for

nonpayment of premium.

(2) An eligible employee or an eligible person who has been terminated, pursuant to KRS 304.17A-245, shall be reinstated as a member of the insurance purchasing outlet if he meets the reinstatement requirements of the insurance purchasing outlet and the insurer.

(3) An insurance purchasing outlet shall not deny an eligible employee or an eligible person reinstatement based on any health status-related factor listed in KRS 304.17A-200 or consideration of medical loss ratio.

(4) If premium is not paid and the insurance purchasing outlet receives notification of termination for the member, pursuant to KRS 304.17A-245, the insurance purchasing outlet shall notify the member, within five (5) business days of receiving notification of termination from the insurer, that he is terminated. The insurance purchasing outlet shall notify the member of his termination by regular first class mail to the last known address of the member.

Section 9. Cessation of Operations of the Insurance Purchasing Outlet.

(1) Upon a decision to cease operating as an insurance purchasing outlet, the insurance purchasing outlet shall:

(a) Immediately notify the department, in writing, its decision to cease accepting new members to the insurance purchasing outlet; and

(b) Submit the following to the office ninety (90) days prior to ceasing operations:

1. Written notification of the cessation of operations, including the date of cessation and the number of current members of the insurance purchasing outlet; and

2. A written action plan for ceasing operations, which shall be approved by the office and include:

a. Copies of letters that will be mailed to members and insurers notifying them of the decision to cease operating as an insurance purchasing outlet; and

b. The projected date for processing all voucher and premium payments.

(2) Upon receipt of a written notification as required in subsection (1) of this section, the office shall review and act upon the action plan of the insurance purchasing outlet.

(3) Upon approval of an action plan to cease operations by the office, the insurance purchasing outlet shall send written notification, at least sixty (60) days in advance of the date that it will cease operations, to insurance purchasing outlet members and insurers issuing health benefit plans to its members.

(4) Upon being notified by the insurance purchasing outlet of its decision to cease operations, the insurer shall notify all members of the insurance purchasing outlet that the health benefit plan offered through the insurance purchasing outlet shall be terminated and that the member has the right to elect a conversion policy pursuant to KRS 304.17A-766.

Section 10. Hearing Process.

(1) An insurance purchasing outlet may request a hearing pursuant to KRS 304.2-310(2)

(b) if the executive director:

(a) Denies an application for a certificate of registration to act as an insurance purchasing outlet;

(b) Suspends or revokes a certificate of registration held by an insurance purchasing outlet; or

(c) Imposes a civil penalty against an insurance purchasing outlet.

(2) The commissioner may take administrative action against an insurance purchasing outlet for any violation of KRS 304.17A-750 through 304.17A-770, 304.47-020, and Sections 2 through 9 of this administrative regulation.

Section 11. Material Incorporated by Reference.

(1) The following material is incorporated by reference:

- (a) "Insurance Purchasing Outlet Application for Registration," HIPMC-IPO-1, (7/02);
- (b) "Annual Report on Operations of Insurance Purchasing Outlet," HIPMC-IPO-2, (9/02);
- (c) "Annual Financial Statement of Insurance Purchasing Outlet," HIPMC-IPO-3, (9/02); and
- (d) "Quarterly Financial Statement of Insurance Purchasing Outlet," HIPMC-IPO-4, (9/02).

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Office of Insurance, 215 West Main Street, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. The material is also available on the department Internet Web site at <http://doi.ppr.ky.gov/kentucky/>

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