



Illinois Department of Insurance

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TO: All Companies and Producers Writing Short-Term, Limited-Duration Insurance and Fixed Indemnity Excepted Benefits Coverage

FROM: Ann Gillespie, Acting Director *ARG*

DATE: August 7, 2024

RE: COMPANY BULLETIN 2024-15 - STLDI and Fixed Indemnity Coverage

The purpose of this Company Bulletin is to provide guidance and remind issuers of the changes impacting both Short-Term Limited Duration Insurance (“STLDI”) and Non-coordinated Fixed Indemnity Excepted Benefits coverage under federal rule and Illinois law.

Short-Term Limited Duration Insurance Plans

Federal Updates:

On April 3, 2024, the federal Departments of Health and Human Services (HHS), Labor, and the Treasury (collectively, the Departments) published final [rules](#) regarding changes to STLDI plans that go into effect for new STLDI coverage sold or issued on or after September 1, 2024.¹ The changes include, but are not limited to:

- The amendment to the federal definition of STLDI to limit the length of the initial contract term to no more than three (3) months and the maximum coverage period to no more than four (4) months, taking into account any renewals or extensions.
 - o Illinois law already prohibits renewals and extensions of STLDI policies regardless of the length of the initial term. 215 ILCS 190/10(c). As a result, before Illinois' STLDI ban takes effect on January 1, 2025 (see below), STLDI policies issued or sold on or after September 1, 2024 in Illinois must not have a term exceeding 3 months under federal rule and must not be renewed or extended as those terms are used in 215 ILCS 190/10(c).
- The amendment provides that a renewal or extension **includes** STLDI sold by the same issuer, or any issuer that is a member of the same controlled group, to the same policyholder within a 12-month period, also known as “stacking.”
 - o The Short-Term, Limited-Duration Health Insurance Coverage Act does not treat STLDI renewals as including the issuance of a new STLDI policy to an existing policyholder by a *different* member of the same controlled group as the existing STLDI issuer. 215 ILCS 190/10(c). Therefore, unlike a renewal or extension by the same issuer, this particular form

¹ [Short-Term, Limited-Duration Insurance Final Rule | CMS](#)

of renewal via another controlled group member is not prohibited in Illinois. Still, under the federal rule, this form of renewal or extension must not result in a total coverage duration exceeding four (4) months. Once Illinois' STLDI ban takes effect January 1, 2025 (see below), all methods of renewing or extending any STLDI policy, **including policies whose initial term began before January 1, 2025, will be prohibited, too.**

- The amendment revised the federal consumer notice requirements for STLDI, requiring the federal notice to be prominently displayed on the first page of the policy, certificate, or contract (including renewals and extensions), as well as marketing and enrollment material.
 - o No change has been made to Illinois' additional required notice in 215 ILCS 190/15 prior to the effective date of Pub. Act 103-0649 described below.

Illinois Updates:

The signing of [Public Act 103-0649](#) on July 10, 2024, repeals the Short-Term, Limited-Duration Health Insurance Coverage Act (215 ILCS 190) and prohibits STLDI from being issued, delivered, amended, or renewed on or after January 1, 2025, in Illinois to any "natural or legal person." This includes both individual persons and any other type of entity that has legal rights, such as a corporation, partnership, sole proprietorship, nonprofit organization, governmental unit, association, or other legal entity. Effective January 1, 2025, and thereafter, under State law it will be unlawful for any issuer to issue, deliver, amend, or renew:

- An individual or group policy to any "natural or legal person" that resides or is domiciled in Illinois, even if no individual certificate holder under that policy resides in Illinois subject to a limited exception. 215 ILCS 5/352(c).
- A certificate to an Illinois resident under a policy that was issued to a group, including any association, domiciled outside Illinois. The usual exemption for group policies domiciled outside this State in 215 ILCS 5/121-2.05 no longer applies to the STLDI ban.
- An individual or group policy, including as a discretionary group, to an institution of learning in Illinois on behalf of its students, or an individual policy or certificate to an Illinois student with a term fewer than 365 days **and** that does not meet the definition of "student health insurance coverage" in 45 C.F.R. 147.145 or any type of "excepted benefit" under 42 U.S.C. 300gg-91. Student health insurance coverage must meet the requirements for individual health insurance coverage. Coverage with a term fewer than 365 days that is either student health insurance coverage or an excepted benefit will not be considered STLDI.
- STLDI as a blanket policy under 215 ILCS 5/367a. Under Public Act 103-0649, only excepted benefits may be offered through a blanket policy. Any policy that does not fall under 42 U.S.C. 300gg-91, including a policy with a term of fewer than 365 days, is not an excepted benefit.

Important Guidance on Communications to Consumers:

The above federal changes to the definition and duration of STLDI do not impact plans that are effective before September 1, 2024. STLDI policies and certificates issued before September 1, 2024, still must limit their terms to less than 181 days and must not be renewed or extended as provided in Illinois law. 215 ILCS 190/10(c). Issuers who currently offer STLDI plans and producers who sell such plans are directed to inform both currently enrolled individuals as well as new consumers in writing that such plans

will be banned in Illinois beginning January 1, 2025. Per federal regulations, STLDIs are not “minimum essential coverage” under 45 CFR Subpart G and therefore loss of coverage of an STLDI does not qualify a consumer for a Special Enrollment Period (SEP). Illinois issuers and producers should remind consumers that individuals who enroll in STLDI are not guaranteed key consumer protections that apply to comprehensive major medical coverage under State and Federal law and encourage consumers currently enrolled in STLDI coverage to utilize the annual federal Open Enrollment Period for Plan Year 2025, beginning November 1, 2024 and lasting through January 15, 2025, to ensure there are no gaps in health coverage.

Non-coordinated Fixed Indemnity Excepted Benefits Plans (Federal Notice Requirements)

The recent Federal rule also makes changes to consumer notice requirements associated with the sale and marketing of group and individual Hospital Indemnity and other Fixed Indemnity Insurance issued or renewed on or after January 1, 2025. Any policy amendment that purports to extend the coverage period will be regarded as beginning a new coverage period on the first day of the extended coverage. Please note, the rule does not apply to policies of accident only, specified disease, or critical illness. The amended rules require the following for Individual and Group markets, respectively:

- Individual Market: Notice must be prominently displayed on the first page of all marketing, application, enrollment, and reenrollment materials (including websites and text messages) provided to participants at or before the time they are given the opportunity to enroll in coverage, **and** on the first page of an individual policy, certificate, or contract of insurance.
- Group Market: Notice must be prominently displayed on the first page of marketing, application, enrollment, and reenrollment materials (including websites and text messages) that are provided to participants at or before the time they are given the opportunity to enroll in the coverage. If participants are required to reenroll in group coverage (in either paper or electronic form) for renewal or reissuance purposes, the notice must be prominently displayed in any marketing and reenrollment materials provided **at or before** the time participants are given the opportunity to reenroll.

Amended disclosure notice language can be obtained within following federal citations: [45 CFR §148.220\(b\)\(4\)](#); [26 CFR §54.9831-1\(c\)\(4\)\(ii\)\(D\)\(1\)](#); and [29 CFR §2590.732\(c\)\(4\)\(ii\)\(D\)\(1\)](#).

The Department reminds issuers of the new disclosure requirements and expectations for updated policy form filings to be submitted to the Department for review and approval. Any issuer who has not already filed the updated federal Tri-Agency disclosure notices in SERFF with the Department must do so for any Hospital Indemnity or Other Fixed Indemnity Insurance products issued, amended, or renewed, on or after January 1, 2025. Please submit via SERFF as “Form” filing type under the below referenced Type of Insurance (“TOI”) to which the notice disclosure will apply for Hospital Indemnity or Other Fixed Indemnity Insurance products offered by the issuer.

- H14I Individual Health - Hospital Indemnity
- H14G Group Health - Hospital Indemnity
- H23I Individual Health - Indemnity Other than Hospital
- H23G Group Health - Indemnity Other than Hospital

For questions regarding the guidance in this Company Bulletin, please contact the Department at DOI.InfoDesk@Illinois.gov.