



# PA INSURANCE INSIGHTS

The Pennsylvania Insurance Department Newsletter

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INSURANCE DEPARTMENT

## A message from the Insurance Commissioner...

Governor Wolf's twin themes of consumer protection and transparency were highlighted by Insurance Department activities in March.

Consumer concern about large rate increase requests by several long-term care insurers prompted me to hold a public hearing on these increases and on the issue of the cost of long-term care insurance in general. My staff and I took this opportunity to explain how we review rate requests. We also talked about why insurers' ability to pay claims is a consumer protection that, in some cases, necessitates the approval of rate increases. This hearing provided a forum for companies to explain why they are requesting rate increases and for consumers to learn about the background of long-term care insurance and express their worries about ongoing rate increases.

The public comment period on our draft proposal to protect consumers from surprise balance bills when receiving medical care closed at the end of February. I am pleased that we received more than 250 individual consumer



comments and nearly two dozen from organizations representing consumers, providers, and insurers. We are now reviewing these comments as we work on our final proposal.

In making the department's annual budget presentation to the House Appropriations Committee, I had the chance to highlight our increased outreach and education efforts on many important insurance issues.

*(continued on page 2)*

## A message from the Insurance Commissioner...

(continued from page 1)

On the national level, a key Congressional committee approved a bill that would encourage more private flood coverage by assuring mortgage lenders that private insurance that complies with the laws and regulations of the state in which the building is located and includes the

### Commissioner Miller Testifies Before House Appropriations Committee

Commissioner Miller presented the Insurance Department's annual budget statement to the House Appropriations Committee, sharing with the committee several of the department's achievements in the areas of consumer protection, education, and outreach over the past year and plans for the year ahead.

The commissioner detailed positions she has taken on behalf of consumers, including reminding insurers a practice known as price optimization, reportedly being considered by a few companies, under which some customers who present the same risk are charged higher premiums because they are less likely to shop for other coverage, is not legal and will not be tolerated in Pennsylvania. Commissioner Miller said this public statement to all companies also helps achieve another of her goals, which is to foster fair

required limits of coverage is acceptable. I testified before a subcommittee in support of this bill in January.

Our list of consumer outreach events for April is also included in this newsletter. I hope we'll see some of you at these events, and I encourage you to reach out to our consumer liaison at [ra-in-liaison@](mailto:ra-in-liaison@)

competition by being transparent about the department's positions on key issues therefore providing a level playing field for all insurers.

Commissioner Miller also told lawmakers this competitive market extends to health insurance, and is one reason she was able to reduce proposed rates for health coverage under the Affordable Care Act by nearly \$81 million before approving these rates last fall. She noted every Pennsylvanian had at least four plans from which to choose during the November through January open enrollment period.

Other key achievements discussed at the budget hearing included the Wolf Administration's successful court case, maintaining access to doctors and hospitals for 180,000 seniors in western Pennsylvania, by making sure UPMC lived up to its commitment in a 2014

### Balance Billing Public Comment Period on Proposed Legislation Closes

Continuing Gov. Wolf's theme of transparency, the Insurance Department in January released a draft proposal to protect health care consumers from surprise balance bills. These bills happen when a consumer has made a good faith effort to use providers and facilities in their insurer's network, only to receive a service during treatment for a health issue from an out of network provider or facility, then gets a

bill for this service.

The Insurance Department developed the initial proposal after a public hearing last October, where Commissioner Miller heard testimony from consumers who got balance bills despite their best efforts to stay in network, as well as from insurers and providers.

To make sure the final proposal, which will require legislative approval, has the greatest public input

pa.gov with potential event opportunities in the future.

Thank you,

Teresa Miller  
Insurance Commissioner

consent decree and continued to participate in Highmark's Medicare Advantage plan. The commissioner also noted Gov. Wolf's strong stand on behalf of women in announcing last October the state law providing annual mammograms for women includes new, 3D mammograms. Commissioner Miller also discussed her announcement that she will not approve any auto insurance rate filings that include the so-called "widow's penalty", under which an insurer charges a widow or widower a higher rate solely due to the loss of a spouse, unless the insurer provides statistical evidence for this rate.

Commissioner Miller also told legislators she has hired a consumer liaison who is teaming up with Consumer Services Bureau staff to expand the department's education and outreach efforts.

possible, Commissioner Miller invited public comment from January 19th through February 29th. More than 250 individual consumers and nearly two dozen organizations representing consumers, providers, and insurers offered comments.

Commissioner Miller and department staff are now reviewing these comments to develop the best possible proposal to shield consumers from surprise balance bills.

## Commissioner Miller Holds Hearing on Long-Term Care Rate Increase Requests

Long-term care insurance premiums have been rising for many consumers over the past several years. Currently, the Insurance Department has several rate requests pending, including proposals from four insurers — Genworth Life Insurance Company, Unum Life Insurance Company, John Hancock Life Insurance Company, and Metropolitan Life Insurance Company — for increases reaching as high as 130 percent for some policyholders.

Reflecting Gov. Wolf’s priorities of consumer protection and transparency, Commissioner Miller held a public hearing on these specific rate requests and on the rising cost of long-term care insurance in general. This was an opportunity to explain to the audience of more than 50 in Harrisburg, as well as those gathered at five satellite locations throughout the state and those watching a livestream, how the Insurance Department closely reviews all rate requests. Commissioner Miller explained that consumer impact is always a priority, but part of consumer protection is making sure companies are able to pay all their claims over time. This means companies must have sufficient revenue to cover the costs of claims filed by policyholders.

The chief actuary of the Long-Term Care Group, representing the Society of Actuaries Long-Term Care Insurance Section, presented a power point explaining how long-term care insurance works and how it was designed to be

funded. He explained that insurance company actuaries throughout the industry had miscalculated several factors when estimating the cost of long-term care coverage. The industry had assumed many more policyholders would stop paying on their plans and let them lapse before using them and that many more policyholders would die before filing a claim than actually happened. Industry actuaries also underestimated the cost of long-term care, and expected to earn much higher interest on the premiums invested to help pay claims.

Because of all these factors, many long-term care insurance consumers have faced significant premium increases in recent years. The four companies that testified at the hearing said they are requesting these increases to make sure they have the money needed to pay claims and to try to cover future benefit payments, not to increase shareholder payouts or even recoup past losses.

One option for consumers that

Commissioner Miller was able to emphasize is that many companies are willing to offer policyholders reductions in some of the benefits on their policies in exchange for reducing or even eliminating premium increases. These benefit reductions include reducing or eliminating inflation riders, increasing the time a policyholder is in a nursing facility before the long-term care insurance kicks in, or limiting the length of time the policy will pay for nursing care.

In addition, all policies sold since September 2002 must offer the consumer the opportunity to purchase a nonforfeiture rider with their policy. If a consumer cancels their policy or loses coverage, this rider guarantees payment of some benefits. Generally, a nonforfeiture benefit will pay up to the total of all premiums paid, or 30 times the daily rate of nursing care at the time the policy lapsed — whichever is greater. Even if the consumer does not make that election when they purchase the policy, if the consumer receives what is called a “substantial premium increase” that causes the consumer to stop paying premiums, they can get that same protection. What constitutes a substantial increase varies by how old the consumer was when purchasing the policy. More information on consumer options when facing a long-term care insurance premium increase is on the department website.

If you missed the hearing, you can watch it in its entirety here.



Above, the audience at this month’s long-term care hearing watches as Johanna Fabian-Marks, director of the Insurance Department’s Bureau of Life, Accident, and Health Insurance, Commissioner Miller, and James Laverty, a department actuary, hear testimony.

## Insurance Department on the Road

### For Students & Young Adults

- 4/5/2016 - Central Dauphin High School - Insurance discussion with high school students.
- 4/28/2016, 8:30 a.m. - 2 p.m. - Senator Don White's Student Government Seminar for high school students, Kovalchick Convention & Athletic Complex at Indiana University of Pennsylvania.

### For the Consumer Groups & the Public

- 4/6/2016, 6:30 p.m. - Put People First, 421 N. 7th Street, Philadelphia, PA.
- 4/15/2016, 10 a.m. - 2 p.m. - Representative Scott A. Petri's 13th Annual Senior Expo, Spring Mill Manor, 171 Jacksonville Road, Ivyland, PA.
- 4/21/2016, 10 a.m. - 2 p.m. - Representative Rich Irvin's 2016 Senior Expo, Smithfield Fire Hall, Huntingdon, PA.
- 4/29/2016, 9 a.m - 12 p.m. - Sen. Lisa Boscola & Rep. Daniel McNeill's Spring Senior Fair, Westgate Mall, Bethlehem, PA.

## Commissioner Miller Lauds Congressional Committee Approval of Private Flood Bill

Commissioner Miller hailed the U.S. House Committee on Financial Services' unanimous approval of a bill that would encourage more private market flood insurance. The commissioner testified in favor of this proposal before a House subcommittee in January.

H.R. 2901, the Flood Insurance Market Parity and Modernization Act, would remove reluctance of many lenders to issue mortgages for homes with private flood coverage, because they aren't sure the cover-

age meets the requirements of the federal government. The bill would require lenders to accept private flood insurance if it complies with the laws and regulations of the state in which the building is located and includes the required limits of coverage.

Commissioner Miller said this bill ties in with efforts of the Wolf Administration to make consumers more aware that private flood coverage is now an option for many homeowners, and in many cases, coverage

is much less costly compared to that available from the federal government's National Flood Insurance Program.

Last month, Commissioner Miller announced creation of a one-stop shop webpage that lists private flood insurance options for homeowners and renters. Licensed insurers or surplus lines producers who would like to be added to our list of private flood insurance options should send their information to [ra-in-producer@pa.gov](mailto:ra-in-producer@pa.gov).

## Recent Press Releases

March 24, 2016 - Insurance Commissioner Encourages Motorcyclists to Take Action to Reduce Risk, Save Money While Riding

March 14, 2016 - Insurance Commissioner Hails Congressional Committee Passage of Bill Supporting Private Flood Insurance

March 11, 2016 - Insurance Commissioner Holds Public Hearing on Long-Term Care Rate Increases, Hears Testimony

February 29, 2016 - Wolf Administration Announces Workers' Comp Insurance Rate Decreased, Benefit Levels Maintained

February 25, 2016 - Insurance Commissioner to Hold Public Hearing on Rising Long-Term Care Insurance Rates

February 18, 2016 - Insurance Commissioner Announces More Than \$185 Million in Restitution Payments to PA Consumers

February 2, 2016 - Insurance Commissioner Announces Private Market Flood Insurance Is Available to Many PA Homeowners