PA Insurance Insights

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Message from the Commissioner

Last year, I was very grateful to be nominated by Gov. Wolf to serve as acting commissioner for the Insurance Department. I'm pleased to announce that the Pennsylvania Senate has confirmed the nomination. As the insurance commissioner, I will continue to lead the department in its commitment to regulate the insurance industry.

Fulfilling Gov. Wolf's commitment to consumer protection remains a top priority for me as we move into the second quarter of 2018; specifically, consumers who are impacted by the Affordable Care Act, opioid addiction, and extreme weather conditions.

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You may contact the department at RA-IN-Insights@PA.gov

@PAInsuranceDepartment

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Commissioner continued

Despite the continued uncertainty surrounding the future of the Affordable Care Act, our department is committed to examining and responding to each proposed change to the law. In March, I sent a letter to the U.S. Labor Secretary containing the Insurance Department's comments on the Trump Administration's proposal to expand Association Health Plans. This letter contains the Wolf Administration's concerns that this proposal could damage the existing individual and small group health care markets. These Association Health Plans could leave consumers potentially vulnerable to huge medical bills for services that these plans are not required to cover; could drive up costs for consumers who remain in ACA-compliant plans; and, if the association is located outside of Pennsylvania, could leave me unable to protect consumers in our state.

As part of the governor's fight against the opioid crisis, our department is protecting consumers through enforcement of the state and federal laws requiring substance use disorder treatment be covered by insurance at parity with medical coverage. We are undertaking market conduct exams with a focus on parity in coverage on our major health insurers, including one recently completed.

Also, the Insurance Department oversees the Workers Compensation Security Fund. The Insurance Department also continues to work with the Roman Catholic Diocese of Greensburg, providing brochures on how to access coverage for substance use disorder for diocesan and parish employee training.

It's been a rough winter in much of Pennsylvania. As property owners clean up after damaging nor'easters, I have been encouraging our property and casualty insurers to continue working with residents to help rebuild their homes and recommending that homeowners use our "After the Storm" brochure on our Homeowners Insurance webpage for tips on quickly and properly filing claims. As the snow melts and spring rains come, property owners should also think about flood coverage. I urge insurers and producers selling private flood coverage to sign up to be listed on our one-stop shop flood webpage.

Jessica K. Altman

"Fulfilling Gov. Wolf's commitment to consumer protection remains a top priority for me as we move into the second quarter of 2018; specifically, consumers who are impacted by the Affordable Care Act, opioid addiction, and extreme weather conditions. ." - Commissioner Altman

Department Helps Greensburg Diocese Address Opioid Crisis

Communities across Pennsylvania are actively working to address the opioid addiction crisis. Last summer, Bishop Edward Malesic of the Roman Catholic Diocese of Greensburg announced an action plan to confront the opioid crisis, including meetings, prayer services, education and staff training to diocesan and parish employees. In 2016 alone, there were more than 300 opioid-related deaths across the diocese, which serves Armstrong, Fayette, Indiana, and Westmoreland counties in western Pennsylvania.

To assist the diocese in its efforts, the Insurance Department provided brochures on how to access coverage for substance use disorder, depending on where individuals get their health insurance.

The Insurance Department has numerous informational brochures on various topics. All brochures are on the department's website and are available for download. The public may use the brochures; however, the brochures may not be altered in any way. Limited quantities of printed brochures may also be available.

If your organization is interested in finding out what is available, contact the department consumer liaison, David Buono, at dbuono@pa.gov.

State Government Spotlight:

PennDOT Announces Motorcycle Safety Clinics

We at PennDOT are excited to announce a new and exciting line of Pennsylvania Motorcycle Safety Program (PAMSP) clinics for 2018.

Focused on developing operator proficiency among prospective, new and experienced Pennsylvania riders, these revamped training clinics are offered free-of-charge to Pennsylvania residents who have a motorcycle learner's permit or motorcycle license.

Through PennDOT's new program coordinator, Total Control Training Incorporated, PAMSP will offer five training courses designed not only to hone a rider's knowledge, but to test their ability to physically manipulate a motorcycle properly. All training clinics are conducted under the supervision of certified instructors at numerous riding ranges located throughout the state. Three of the clinics – the Beginning Rider Clinic (BRC), the Intermediate Riding Clinic (IRC), and the 3-Wheel Riding Clinic (3WRC) - offer a pathway to earning a motorcycle license.

The 17-hour BRC consists of seven hours of in-class instruction and 10 hours of practical riding and provides valuable training for new riders while giving experienced riders the opportunity to polish their skills and correct any unsafe riding habits they may have developed. Basic riding skills, such as shifting, stopping, swerving, turning, as well as mental skills for hazard avoidance highlight the training. Students taking the BRC are provided with a motorcycle and helmet; however, students are responsible for providing all other protective gear. It is important to note that, by law, all permit holders under the age of 18 must successfully complete the BRC to receive their motorcycle license.

The eight-hour IRC was developed for riders with intermediate riding skills and allows more experienced riders to refresh their safety knowledge and hone their on-road skills. The IRC is based on motorcycle crash research and focuses on cornering, braking and swerving. Students taking this clinic must provide their own motorcycle and protective gear, as well as provide proof of insurance, current registration and inspection for their motorcycle.

During the 3WRC, riders learn skills and safety strategies like those taught in BRC, except on a three-wheeled motorcycle. Students must provide their own motorcycle and protective gear, as well as provide proof of insurance, current registration and inspection for their motorcycle. The clinic is comprised of four hours of classroom instruction and eight hours of riding.

Motorcycle learner's permit holders who successfully complete the BRC, IRC or the 3WC will be issued a motorcycle license. Those who successfully pass their skills test on a three-wheeled motorcycle will be issued a motorcycle license with a "9" restriction, meaning they are prohibited from operating a two-wheeled motorcycle.

And, new for 2018, PAMSP now offers a four-hour Introduction to Riding Clinic (ITR) for those would-be riders who are still not sure if they want to ride. This non-licensing clinic teaches fundamental skills for operating a two- or three-wheeled motorcycle and progresses from classroom to street skills and strategies. Students are provided with a motorcycle and helmet.

Rounding out the PAMSP offerings is the Advanced Rider Clinic (ARC), a one-day clinic for experienced riders who want to enhance their safety skills through attitude and awareness. The clinic is designed to enhance a rider's ability to avoid a crash through honing their decision-making abilities, riding strategies, risk management and rider behavior and choices.

(Continued on Page 4)

Motorcycle Safety Clinics Continued

Pennsylvania residents interested in more information or enrolling in a clinic can visit www.pamsp.com or call 1-800-845-9533. PennDOT also offers potential riders a convenient way to study for their knowledge test through PA Motorcycle Practice Test app. The app can be downloaded by visiting www.pa.gov and searching the mobile apps for the Pennsylvania Motorcycle License Practice Test by clicking on the Apps link at the bottom of the page, or searching for "PA Motorcycle Practice Test" in your device's app store.

The 2018 riding season heats up very shortly. Help us make riding safer for everyone and join us for one of these new, exciting courses of instruction!

Leslie Richards
PennDOT Secretary

Know Your Policies When Assessing Winter Storm Damage, Potential Spring Floods

It's been a rough winter for much of Pennsylvania. Heavy snows and high winds repeatedly pummeled the Erie area, the Poconos, the Lehigh Valley, and Philadelphia and its suburbs. Many property owners are now in the process of repairing damage.

The Insurance Department is encouraging all property and casualty insurers to do all they can to make the claims filing process as easy as possible for storm victims, and to get these people the money due under their policies as soon as possible. Governor Wolf has helped free up state resources in several instances by declaring disasters in particularly hard hit areas.

Insurance professionals as well as property owners can access the Insurance Department's "After the Storm" brochure, which provides tips on taking an inventory of damage and on filing a claim. The brochure also contains things to watch for when hiring a contractor to repair damage.

As the last of winter's snow melts and spring rains come, homeowners also should think about flood insurance. Most homeowners' policies do not cover flood damage. While most mortgage lenders require flood insurance if a property is in a federally-designated special flood hazard area (SFHA), the Insurance Department suggests homeowners consider this coverage even if they aren't in an SFHA, as many properties outside of these areas flood in Pennsylvania.

The department's one-stop shop flood insurance webpage has information on both the federal government-run National Flood Insurance Program, and private flood coverage available in Pennsylvania. Since the department launched the webpage two years ago, the number of private residential flood policies has increased from 1,500 to 5,200. Pennsylvania licensed insurers selling private flood coverage and producers selling surplus lines flood insurance who want to be listed on this webpage should complete a request form and send it to ra-in-floodins@pa.gov.

Department Announces Significant Restitution, Talks to Seniors at 'Scam Jam' Event

Commissioner Jessica Altman and Consumer Liaison Dave Buono had the privilege of speaking to approximately 150 people at a recent AARP sponsored-event called "Scam Jam," in Penn Hills (Allegheny County). It was an opportunity to announce that the Insurance Department reclaimed $98 million for 33,138 consumers throughout the state during 2017 including restoration of stolen funds, unpaid insurance claims, and refunds for premium overcharges.

We also talked about how the Department can provide assistance and offered information on protecting consumers from scams.

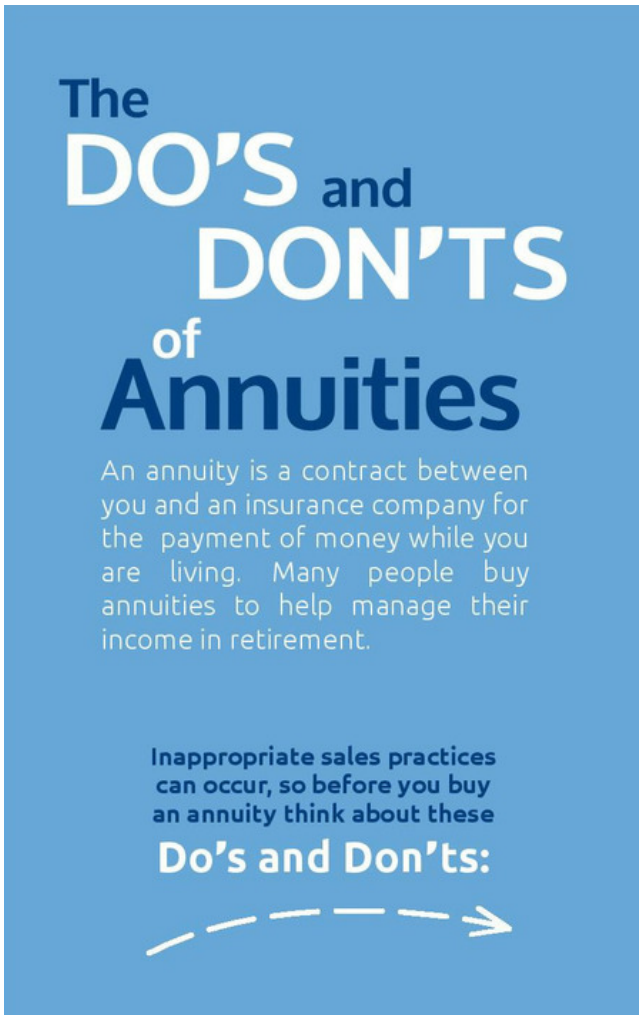
$98 Million

recovered for 33,138 PA insurance consumers in 2017

Specifically, we shared a story about a couple in their 90s who both had annuities, one of which had matured, and the other was about to mature. An agent convinced this couple to roll their money over into new annuities. The new annuities would have locked the couples' money up until they were well over 100 years old.

It is okay to sell a new policy to replace an existing policy, but it is NOT okay if it doesn't benefit the consumer, as was the case with this couple. We were able to help this couple, but call on the industry and consumer advocates to assist us with getting the word out and ensuring consumers who need assistance know the Department is ready and able to help.

Be sure to view our tips on annuities located on the department's Do's and Don'ts of Annuities brochure.



Commissioner Comments on Proposed Rule on Association Health Plans

Commissioner Jessica Altman submitted comments on behalf of the Commonwealth of Pennsylvania in response to the federal government's proposed rule on the expansion of Association Health Plans (AHPs), highlighting several significant concerns about the proposed rule and offering recommendations to ensure that the final rule will include important consumer protections.

AHPs are health insurance plans for employees purchased through an association or group of multiple small employers, typically organized around a common professional interest. The proposed rule, released by the U.S. Department of Labor on Jan. 4, 2018, expands the definition of the term "employer" to give more employers the opportunity to form an association to buy insurance in the large-group market.

The proposed rule, a result of an earlier Executive Order, is aimed at small businesses and self-employed individuals as an alternative to purchasing insurance through the Affordable Care Act's (ACA) small-group or individual markets.

In her comments to the Department of Labor, Altman expressed concerns that the new rule could impact consumer access to quality, affordable coverage, market stability, and the state's regulatory authority.

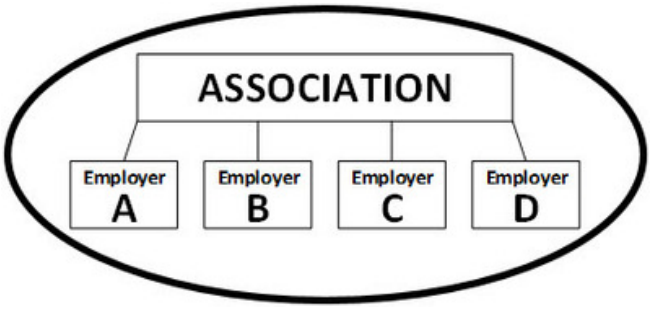
Under the proposed rule, AHPs would not have to provide ACA-mandated minimum essential health benefits and prescription drug coverage requirements. That means individuals and families who make the switch to an AHP may not have access to basic services or critical care they need. Although AHPs would have to comply with health-specific nondiscrimination provisions, the proposed rule does not mention protecting consumers based on gender, age, or industry.

The rule could also lead to younger, healthier consumers leaving the individual and small group markets, which would inevitably increase premiums for those still in those markets. In her letter, Altman suggested that additional protections be included to ensure a level playing field for all and to minimize destabilizing the impact on the insurance market.

Pennsylvania does not expect the proposed rule to impact its state regulatory structure, allowing the Insurance Department to continue to protect Pennsylvania consumers under state law as it does currently.

Specifically, Pennsylvania law prohibits self-funded Multiple Employer Welfare Arrangements (MEWAs), a type of Association Health Plan, that offer coverage to employees of two or more unrelated employers and/or self-employed individuals. Under state law, associations may not be formed for the sole purpose of purchasing insurance or providing self-funded coverage, even though they would be allowed under the new federal rule. State law also requires that an association must have been in active existence for at least two years before offering coverage to its members. MEWAs have been subject to scrutiny on both the state and federal level in the past.

Still, as an added precaution, Altman recommended that the Department of Labor affirm that the rule does not limit the ability of states to regulate MEWAs, insurers offering coverage through MEWAs, and insurance producers marketing such coverage to employers.



Altman also recommended that the federal government delay implementation of the final rule until 2020 at the earliest to give regulators, legislators, insurers, and other stakeholders an opportunity to prepare.

Bureau of Financial Examinations Takes Steps to Oversee Costs

The Pennsylvania Insurance Department's Bureau of Financial Examinations is constantly reviewing and developing new processes to create efficiencies while being mindful of the costs of examinations.

Several bureau initiatives have been under development over the last year that address risk-focused financial examinations coinciding with changes taking place on the national level.

In 2010, the National Association of Insurance Commissioners rolled out a new risk-focused process for the conduct of on-site financial examinations of insurers. It's an important milestone in state regulators' efforts to develop a more effective, integrated and efficient approach to the financial regulation of insurers. The costs of conducting these financial examinations, which take place every five years, is a common concern among insurance companies.

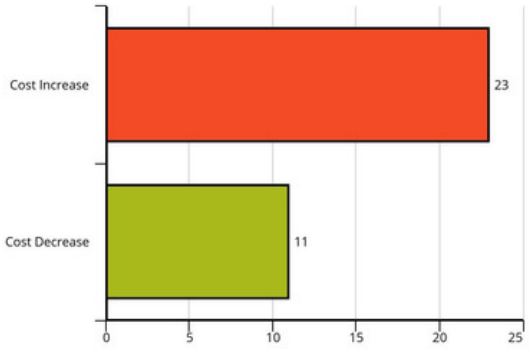
To study this change, the Bureau of Financial Examinations staff now completes a comprehensive examination cost comparison for every insurance company/group examination. These costs are tracked by examination cycle, with the first set of comparisons completed for 36 exams on the 2015 examinations cycle. **Only 34 of 36 exams were full-scope in nature**, worthy of a fair comparison: 21 exams were completed in fewer hours, and 13 required more hours to complete. Of the same 34 exams, total costs decreased for 11, and increased for 23 examinations. **For examinations involving increases in either hours and/or costs, a majority of those examinations involved one or more of the following: material solvency concerns, additional coordination efforts, holding company concerns, own risk and solvency assessment (ORSA) or changes in the insurance operation (growth, acquisition, etc.).**

The bureau is permitted to engage the assistance of external vendors in various areas of expertise to sufficiently staff and complete examinations in a timely manner. The bureau regularly engages external vendors for financial examiner support, but also in the areas of information technology and credentialed actuaries. Because external staff hourly rates are generally higher than internal staff, the bureau is very mindful about how it uses external vendors. The examinations staff monitors the vendor budgeting processes. In addition, each monthly vendor invoice is subject to the examination manager's approval before any invoice is sent to the insurance company being examined.

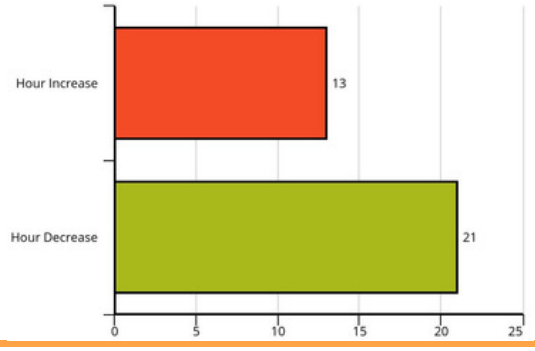
Exam managers hold the internal examinations staff to the same budgeting processes and cost management monitoring. During the planning stage of a new exam, before material examination work begins, the examination team prepares a budget of hours and expected travel costs for both internal and external staff. This projected budget is subject to director review and, once approved, is presented to the company about the time the examination kickoff meeting is scheduled.

The bureau has also developed a more comprehensive database to track vendor costs by examination engagement. To ensure that vendors are billing for examinations on an accurate and timely basis, the bureau recently drafted updated **(cont. on page 8)**

Bureau of Financial Examinations Cost Comparison of New Risk-Focused Financial Exams (2015)



Bureau of Financial Examinations Hour Comparison of New Risk-Focused Financial Exams (2015)



instructions on the invoicing process. Two of these process changes include clarifying the timing of when invoices shall be prepared and specifying that bills are no longer "due upon receipt." Examined companies are permitted up to 30 days to pay invoices.

Some of these changes are made in anticipation of proposed legislation in the state legislature. Regardless of whether the measure becomes law, the Insurance Department will track the financial costs of insurance regulations and publish them to the department's website.

Legislative Update

Legislation Would Codify Financial Exams Process to Promote Transparency

As companies enter their second risk-based financial examinations, legislation that would codify aspects of the financial examination process and require the Pennsylvania Insurance Department to report on the amounts billed to companies for costs imposed by third-party consultants has been introduced in the Pennsylvania General Assembly.

House Bill 1851, authored by Representative Tina Pickett (R-Bradford/Sullivan/Susquehanna) and Senate Bill 1031 authored by Senator Daniel Laughlin (R – Erie) would promote cost transparency by requiring the Insurance Department to hold a scheduling conference prior to commencing an examination, at which time the department must discuss the following:

- The purpose and scope of the examination
- The estimated costs for the examination
- The types of information that the company will be asked to produce
- The most efficient means of conducting the examination
- Any alternative approaches in conducting the examination that would be more convenient, less burdensome or less expensive for the company while still providing for an effective examination by the department

Additionally, the legislation would require the department to provide a company that is subject to the examination with a budget estimate for each phase of the examination within 30 days after the scheduling conference.

These identical pieces of legislation currently reside in House and Senate Appropriations committees, respectively. The Insurance Department has expressed its support for both pieces of legislation in their current form.

The department anticipates that the legislation will become law and, as such, is preparing for the requirements.