

Senate of Pennsylvania  
Appropriations Opening Statement



**Diane Koken, Insurance Commissioner  
Before the Senate Appropriations Committee  
Wednesday, March 1, 2006**

Good Morning Chairman Wenger, Chairman Fumo and Members of the Senate Appropriations Committee. On behalf of Governor Rendell, I am pleased to be with you today to discuss the Insurance Department's proposed 2006-07 fiscal year budget.

Pennsylvania is home to one of the largest and most diversified insurance marketplaces in the country. We regulate more than 1,700 domestic companies and over 150,000 licensees that conduct the business of insurance.

Insurance is a simple concept -- a promise of protection. The business of insurance, however, is complex and the insurance product itself can be confusing for consumers.

Insurance coverages -- homeowners, auto, health and life -- taken in total can be one of the more expensive items in a family's budget. So we, at the Insurance Department, believe that information is a consumer's best policy.

For that reason, we have made consumer outreach and education a key initiative at the Insurance Department through the dedicated work of our new Office of Consumer Liaison and our Bureau of Consumer Services. In the last year, the new consumer liaison office has held 16 Consumer Advisory Group meetings throughout Pennsylvania. Additionally, our liaison has held events in conjunction with other agencies, Chambers of Commerce, advocacy groups and legislators -- 40 events in all, as well as, developing more than 30 educational sessions on specific insurance topics; including flood insurance, health insurance, senior issues, Medicare Part D and Fraud Prevention. This is in addition to the on-site assistance of the Bureau at more than 63 events and our continued assistance at Disaster Recovery Centers, along with the over 150,000 consumer inquiries we responded to this year. In addition to expanding our website information, this year, the Liaison Office will reinvigorate the Department's speakers' bureau and publish a quarterly newsletter which will be distributed to interested citizens, businesses and consumer groups and is to be available in Spanish.

We want the Pennsylvania Insurance Department to be a ready resource for all of Pennsylvania's citizens. So first and foremost, this budget continues to position the Insurance Department to focus on understanding

consumer needs and responding to them. Helping those in need is a key responsibility of our Department and the Commonwealth.

Continuing the discussion of that promise of protection and consumer needs, we will also focus our attention in this budget on one of most vulnerable populations in need -- children without health insurance.

The Governor has proposed an aggressive next step to expand our Children's Health Insurance Plan (CHIP) to "Cover All Kids." Under the "Cover All Kids" initiative, every uninsured child in this Commonwealth will have access to health insurance through CHIP. This expansion will build upon our CHIP program which is the oldest and most successful of its kind. Although Pennsylvania already has 96 percent of our children covered by health insurance, we remain concerned about those approximately 134,000 children without health insurance coverage.

We plan to be able to offer health insurance to an additional 15,000 children in the 2006/07 fiscal year. This coverage will be available to all uninsured children, regardless of the income level of the parents or guardians. Premiums will vary from no cost for families with incomes lower than 200 percent of the federal poverty level, to approximately \$143.00 per child per month for families with incomes in excess of 350 percent of federal poverty level.

Additionally, the Governor is proposing an expansion of the adultBasic program for the coming fiscal year to increase the number of individuals enrolled in adultBasic by 8,500 -- thus covering an average 50,000 persons per month.

Pennsylvania has the 5th largest insurance premium volume in the United States. Our domestic insurance industry consists of some of the largest international insurance and financial services groups in the world, as well as, smaller more regional organizations. A critical responsibility of the Department is monitoring the financial solvency of domestic insurers and minimizing the number and impact of insurer insolvencies. In a year when financial rating downgrades continued to outpace upgrades, A.M. Best upgraded the financial strength and ratings of six domestic insurers and downgraded the rating of only one domestic insurer.

The Department remains diligent in our efforts to monitor the short and long term impact of economic and regulatory developments, catastrophes and international events on the insurance industry.

I believe that the state system of insurance regulation not only works well, but is also tailor-made to accommodate a diverse state with diverse insurance needs. We are also flexible architects who can and have changed with the times. From producer licensing to solvency regulation, we continue to move forward with reforms and initiatives that enhance our regulatory environment and create a regulatory framework that reflects the constant and somewhat complex movement of a global sector of commerce, while seeing that any progress or change in that framework translates to protecting consumers and their unique needs in our state.

I look forward to working with you during the upcoming fiscal year on these and other important insurance matters. I would be happy to take your questions.