

# **Senate of Pennsylvania Appropriations Opening Statement**



**Randolph L. Rohrbaugh, Acting Insurance Commissioner  
Before the Senate of Pennsylvania  
Wednesday, February 28, 2007**

Good morning Chairman Armstrong, Vice Chairman Tomlinson and members of the Appropriations Committee. Thank you for the opportunity to testify on behalf of Governor Rendell regarding the funding for the Pennsylvania Insurance Department for fiscal year 2007-2008.

Pennsylvania remains the fifth largest insurance market in the United States with annual premiums of approximately \$70 billion. As the insurance marketplace evolves and grows to meet consumer needs, our regulatory environment must evolve with it.

Insurance, as you know, touches the lives of virtually every Pennsylvanian in any number of ways. The budget maintains the Insurance Department's focus on consumers. Insurance is an essential element in our present day life, securing our standards of living and the stability of our families, and offering the means of financial recovery when the unexpected occurs. Insurance premiums, considered in total, are likely to be among the top three items in any family budget. With such a large impact on Pennsylvania families, we remain committed in the Department to utilize the Commonwealth resources effectively and judiciously.

Governor Rendell proposed and you passed, the Cover All Kids program in 2006 which expands our Children's Health Insurance Program (CHIP) to offer comprehensive health insurance coverage to any uninsured child. We plan to enroll 15,000 more children in the CHIP program in 2007 – thus taking them off the rolls of the uninsured. Additionally, increasing numbers of children will gain coverage in future years. Premiums will be affordable for all families because the premium payment uses a sliding scale based on the families' income. We have been in contact at this point with almost 12,000 families who have indicated that they hope they can take advantage of this new program for their own children.

With over 700,000 adult Pennsylvanians who are uninsured, the next phase of meeting Pennsylvanians' health insurance needs under the Governor's plan is the "Prescription for Pennsylvania" which includes a program to provide access to affordable, quality health care coverage to all who are uninsured. This initiative, called "Cover All Pennsylvanians" is planned to replace and expand upon the currently state-funded, limited benefit adultBasic insurance program. "Cover All Pennsylvanians" has been designed as a private sector health care package, funded in part by state and federal resources. It will provide access to affordable health care coverage for individuals as well as for working Pennsylvanians who work for companies that do not offer health insurance or companies that are low wage employers who need assistance in covering the cost of health insurance. We anticipate serving 148,000 adults (including the current adultBasic enrollees) starting January 2008, with a goal of serving 412,000 adults in state fiscal year 2011-2012.

In addition, Prescription for Pennsylvania will also reduce the burden placed on small businesses and individuals by strengthening oversight and creating a level playing field for employers by limiting premium increases and establishing a standard basic health care package. This plan will prohibit insurance companies from increasing the cost of

insurance based on certain demographic characteristics and will require health insurers to use at least 85 percent of the premiums they collect from small businesses to pay medical claims.

One of the most important issues for consumers relates to the rising cost of health care. Our consumer lines are jammed with health insurance questions. It is an issue actively discussed and widely debated. So I appreciate being part of meaningful discussions with you to determine how best to serve the health needs of Pennsylvanians.

The Department provides a broad array of services to Pennsylvania's more than 12 million insurance consumers. In our Bureau of Consumer Services, we typically handle over 20,000 written consumer complaints, over 100,000 calls, over 1,000 walk-ins and substantial contacts through our internet website. Last year alone we recovered approximately \$18 million on behalf of consumers. We also devoted over 1,150 hours at 12 disaster recovery centers for the victims of spring flooding, which caused extensive damage to private homes and businesses.

Our Consumer Liaison office was also active in reaching out to consumers through over 42 consumer meetings throughout Pennsylvania, educating consumers and hearing their concerns on a variety of topics. Over 3,000 consumers participated in outreach events this year. In addition, this year we started publishing our quarterly consumer newsletter in English and Spanish and it already reaches over 30,000 Pennsylvanians.

The Department's website continues to be an effective and frequently used insurance consumer education and resource tool. Annual "visitors" to our site number in the multi-millions, and we continue to enhance access and functionality of the website and update the information contained there. Most recently, we launched a "frequently asked questions" section to our consumer pages, based upon the questions consumers regularly offer us regarding specific lines of insurance.

Vigorous field investigations and market surveillance programs are vital to protecting consumers. In the past year alone, we shut down 11 fraudulent entities that were not licensed to offer insurance in the Commonwealth and we continue our focus on fighting fraud and the resultant cost to consumers.

We recognize also that our producer licensing program is part of the important front-end regulation that protects consumers. We are improving the licensing process by using electronic technology which enhances our services and provides better transparency to producers and consumers. Through these efforts we have reduced operating costs and cut the application process cycle time from 30 business days to 10. In 2006 alone, we processed over 32,000 new applications and over 500,000 insurance company appointments and terminations.

The Department also uses new efficiencies and technologies to streamline the review and approval of approximately 15,000 insurance product filings each year. Currently, we are

receiving about 50 percent of all rate filing through the System for Electronic Rate and Form Filing System utilized by the Department.

The Department also remains diligent in its efforts to monitor the financial solvency of our domestic insurance companies. There have been no insolvencies of Pennsylvania-domiciled insurers for the last two consecutive years. As I mentioned, insurance regulation is always evolving as the marketplace itself evolves. For that reason, we strive to enhance our monitoring tools and look forward to working with you on better tools to improve and promote earlier identification of weak financial results. We also will continue this year to move to “paperless” technology in financial examination documents.

During this fiscal year the marketplace challenges and resource constraints will continue to increase. Working together and with the commitment of a dedicated staff, we will continue to promote a vibrant insurance marketplace that fulfills its promise and meets its obligations to consumers.

Thank you for the opportunity to present you the Insurance Department’s FY 2007-2008 budget request. We look forward to working with you on these and other important insurance matters and would be happy to address your questions.