Presentation to the Pennsylvania Long-Term Care Council

The Role of the Pennsylvania Insurance Department

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Core Mission of the PID

• The PID regulates most commercial insurance products sold in Pennsylvania, including long term care insurance products.

• **Consumer protection** is the core mission of the PID. This takes many forms:
  • Monitoring the **financial solvency** of insurance companies to ensure they can pay claims for their enrollees
  • **Regulating insurance products** to ensure they comply with all rules and regulations, and that rates are not excessive, inadequate, or unfairly discriminatory
  • **Regulating the insurance markets** to ensure laws and regulations are being followed and consumers are being treated fairly
Financial Solvency

• The PID closely monitors the financial solvency of all insurance companies based in Pennsylvania (domesticated companies)

• The PID also works closely with the other insurance departments as they monitor the financial solvency of insurance companies based in their state, who may sell policies in Pennsylvania

• The focus is to ensure that insurance companies are able to pay claims over time
  • This is especially important with products like LTC, where consumers pay premiums over time with the expectation of a significant benefit if and when they need it
Product Regulation

- Rate review
  - The PID approves any rate changes
  - Rates cannot be excessive, inadequate or unfairly discriminatory
  - Rate review and financial solvency must be balanced

- Form review
  - The PID reviews the benefits LTC plans offer to ensure they comply with all laws and regulations

- The PID also approves LTC Partnership policies
Market Regulation

• In 2015, PID handled over 12,000 consumer complaints and almost 50,000 consumer inquiries related to insurance

• Our Bureau of Consumer Services investigates complaints and will contact insurance companies on behalf of a consumer to try and resolve issues

• Complaints are tracked and analyzed by our Market Analysis Division, which uses this and other data reported by insurance companies to identify areas for further investigation

• If compliance issues are identified, the PID may begin a market conduct examination to confirm compliance with laws and regulations

• The PID can take action and penalize insurers who are found to have violated our laws
Challenges of the Private LTC Insurance Market

• As a relatively new market, LTC insurance became very popular in the 1980s – for today’s aging population

• Many of the assumptions that the pricing was based on have proven to be incorrect
  • Number and severity of claims
  • Lapse rates
  • Life expectancy
  • Interest rates

• Over time, fewer companies are selling these products and fewer people are buying them
Moving Forward

• Commissioner Miller is chairing a group focused on Long-Term Care Innovation at the National Association of Insurance Commissioners

• The questions this group is trying to answer:
  • What should the role of the private sector be in financing for the long-term care needs of our society, and how do we get there?
  • Are the products we have today the products we should have?
  • What changes need to be made and who needs to make them?
    • What can PA do?

• We believe there is a role the private sector can and should play; maybe just not the one they are playing today
Other Groups Think The Same

• Recommendations by the experts:
  • Commission on Long-Term Care
  • Bipartisan Policy Center
  • Long-Term Care Financing Collaborative

• Other Resources:
  • NAIC Long-Term Care Innovation Subgroup
  • NAIC/CIPR Report on LTCI
Questions?

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