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Before the Insurance and Real Estate Committee  
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Senate Bill 11 - An Act Concerning the Rate Approval Process for Health Insurance Policies

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in opposition to Senate Bill 11 - An Act Concerning the Rate Approval Process for Health Insurance Policies. The requirements of Senate Bill 11 are particularly problematic for insurance companies offering disability income insurance and long-term care insurance products to Connecticut consumers. ACLI member companies provide the majority of disability income insurance and long-term care insurance coverage in force in Connecticut.

**Rate Filings, Prior Approval and Public Notice**

ACLI member companies are sensitive to the impact that rate increase filing requests have on consumers, however, we do not agree that the process as outlined by Senate Bill 11 will benefit disability income insurance and long-term care policyholders. In the end, this legislation may simply result in fewer of these products being sold in the state. This outcome would be bad for both consumers and businesses.

We would like to take this opportunity to specifically address some of the rate filing provisions required by Senate Bill 11 which are problematic to disability income insurance and long-term care products. First, the legislation requires that rates be filed at least 120 days prior to their proposed effective date. This 120 day prior filing requirement, coupled with a required hearing (addressed elsewhere in the legislation), will only add to the time delay between quote date and effective date, which means that a significant lag could exist in implementing new rates. For insurers that file lower rates, the lag would seem to mean that Connecticut consumers would continue to be sold higher rate products. This appears to be costly and confusing and seems to serve little if any purpose.

In addition, rate filings provide actuarial documentation supporting the need for the increase and comply with statutory requirements for such filings. Depending on the insurance product design, some of the information that has to be considered includes claims experience, voluntary lapse rates, mortality rates, investment earnings both on an anticipated and actual basis and credibility of experience. The Connecticut Insurance Department staff that is assigned to review rate filings have the necessary actuarial expertise to handle the analysis of whether a rate increase is justified.

Some of the components of rate filings include competitive data, such as level of reserves, which may be considered trade secrets. These provisions should be subject to confidentiality which the legislation does not address. The proposed process would open these components to third parties including other insurance companies, thereby threatening the confidentiality that is required for competitive and anti-trust reasons.

The legislation also requires individual notice to insureds. For group insurance, requiring notices at the insured level will be problematic. Most group insurers of disability income and long-term care insurance products do not have insureds' addresses until submission of actual claims.

Furthermore, the first class mail requirement would undo companies efforts towards a web based customer service system, where information is kept up to date real-time on a website. This is the optimal method of information delivery from both an environmental and efficiency perspective.

#### Public Hearings

The current definition of "health insurance" in Connecticut code contains approximately sixteen insurance products, including disability income and long-term care insurance. The proposed legislation would require public hearings for all these insurance products for both individual and group. This equates to over 32 unique insurance products that the Connecticut Insurance Department would have to accommodate for hearings. If just ten companies from each product line requested rate increases, that would mean 320 hearings. These rate increases could be minimal and simply as an adjustment in product design, yet would still be captured by the extensive process required by Senate Bill 11. We question the necessity to require insurance products, for example disability income insurance, to go through a public hearing when new product designs are introduced that would require a need for new prices. Some products might have small rate increases due to common index inflation increases and thus the warranting of a hearing seems to not add any value to the consumer, the Insurance Department, or insurer. Disability income and long-term care insurance products are not the focus of the federal health care reform debate. We question the goal of legislation that requires unnecessary costs, time, and delays for Connecticut businesses.

With respect to group insurance in general, rating is often based on the combination of manual rates combined with an employer group's claims experience and the overall composite rate applies specifically to that employer. Any mandated rate increase hearing for a group insurance product would seem to accomplish nothing.

#### Conclusion

As stated in previous testimony, we believe that the Insurance Department has done its job in balancing the needs of the companies and consumers, and that each rate increase filing request is handled with due diligence. We do not see the need to radically change the process. If the Insurance Department believes that it needs additional resources, we would support the outsourcing of certain product filings to actuarial consultants with the cost charged to the companies.

Thank you for considering our position in opposition to Senate Bill 11 regarding the rate approval process for health insurance policies. Please contact Kate Kiernan at 202-624-2463 with questions.