

STATEMENT
INSURANCE ASSOCIATION OF CONNECTICUT

Insurance and Real Estate Committee

February 17, 2010

SB 11, An Act Concerning The Rate Approval Process
For Health Insurance Policies

The Insurance Association of Connecticut (IAC) opposes SB 11, An Act Concerning The Rate Approval Process For Health Insurance Policies, as it would have a negative and counterproductive effect on the insurance marketplace in Connecticut.

SB 11 would apply the new rate approval provisions of section 6 to all types of "health insurance," as defined in C.G.S. 38a-469. This would include fifteen different types of insurance products, including long-term care (LTC) and disability income (DI) insurance.

SB 11 would create a host of problems that would be detrimental to the LTC and DI insurance marketplace. By requiring the filing to be made at least 120 days ahead of the intended effective date in order to account for the various new steps in the rate approval process, the extraordinarily long gap between filing and implementation will only serve to make the insurer's actuarial determinations more difficult.

SB 11 would require a mandatory public hearing and opportunity for public comment for such rate filing. We know of no other state that requires public hearings on rate filings for DI or LTC insurance. Members of the public will inevitably take the opportunity to comment that they do not want rates to go up, but that should not be dispositive relative to the legitimacy of the filing.

Rate filings are highly complex, and contain various actuarial documents and formulas. Judgments on the facts presented and calculations made in a filing should be the province of the regulator, who has the background and expertise to consider the filing objectively. Subjective input from the public would likely add nothing to the proper consideration of a filing. In addition, group insurance is often experience rated, which would make public hearing comments from individuals non-productive.

By requiring the posting on the internet of all filed "documents, materials and other information", SB 11 would improperly require the exposure of an insurer's proprietary information, which could compromise the competitive position of the insurer. This would only serve as another disincentive to write DI and LTC business in the state, which would have negative consequences for consumers.

SB 11 would require insurers to notify individuals covered by group insurance of the rate filing and the opportunity to comment on it. DI and LTC insurers do not have home address information for insureds in a group until a claim is actually filed under the policy.

SB 11 would require all rate filings for fifteen different types of insurance coverage, for both individual and group products, to be subject to the new approval process of section 6. This will place an extraordinary, if not impossible, burden on Insurance Department staff. Given that burden, it is highly likely the timing requirements of section 6 will not be met, and the Department's capacity to perform its numerous other functions will be compromised.

The Insurance Department has clearly demonstrated over the years that it can properly exercise its authority to regulate rates concerning LTC and DI insurance products. In fact, this committee held a hearing recently where the Department outlined the exacting standards and procedures it uses to review a LTC filing.

SB 11 would only serve to add unnecessary input and delays and increased costs to the regulatory process, and create disincentives for LTC and DI insurers to compete for business in this state. The best interests of purchasers of LTC and DI products in this state would not be served by the passage of SB 11.