



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

OFFICE OF SPECIAL PROJECTS

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November 3, 1998

Mr. Robert Nyce
Executive Director
Independent Regulatory Review Comm.
333 Market Street
Harrisburg, PA 17120

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Re: Insurance Department Proposed
Regulation No. 11-190, Minimum
Reserve Standards For Individual and
Group Health and Accident Insurance
Contracts

Dear Mr. Nyce:

Pursuant to Section 5(c) of the Regulatory Review Act, the Department is required to submit all comments on proposed regulations received during the public comment period to the Independent Regulatory Review Commission and the Legislative Standing Committees within 5 days.

Attached is a comments received from Mr. Samuel R. Marshall, President Elect of The Insurance Federation of Pennsylvania, Inc. located at 1600 Market Street, Suite 1520, Philadelphia, PA 19103.

If you have any questions regarding this matter, please contact me at (717) 787-4429.

Sincerely yours,

A handwritten signature in cursive script that reads "Peter J. Salvatore".

Peter J. Salvatore
Regulatory Coordinator

The Insurance Federation of Pennsylvania, Inc.

1600 Market Street
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Philadelphia, PA 19103
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November 2, 1998

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Peter J. Salvatore
Regulatory Coordinator
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

Re: 31 Pa. Code Chapter 84a

Dear Mr. Salvatore:

The Insurance Federation offers the following comments on the Department's proposed revisions to this chapter, which sets forth the minimum reserve standards for individual and group health insurance. While the Federation is largely supportive of the regulation, we offer the following recommendations for changes or clarifications to it.

1. Section 84a.6(b)(4)(iii) - Retroactive application

This subsection sets forth reserve requirements for certain health policies that had been issued before October 23, 1993. The health policies covered are those that could be nonrenewed or cancelled at the insurer's option. Because of that feature, the Department (and the existing regulation) has not required reserves. This subsection, however, would require reserves on the two-year preliminary term method.

We understand the Department's reasoning for this change is that all health policies are now guaranteed renewable under recent changes in federal health laws (and the matching changes made in Pennsylvania), and therefore that all policies should have to have reserve requirements. A number of companies, however, note that not all policies are guaranteed renewable - and therefore should continue to be exempt from the reserve requirements.

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Accordingly, we recommend this section be revised to exclude those health policies issued prior to October 23, 1993 which remain nonrenewable or cancelable at the insurer's discretion. Further, it should allow a phase-in period for those policies that will be affected - perhaps a three to five year period. This is both a practical solution and a fair resolution of the general rule that retroactive application of a law or regulation is rarely allowed.

2. Appendix A-II - Interest

The Department apparently views this as part of the Appendix as consistent with, and a clarification of, the NAIC model on which it is based. Some insurers have questioned this. We recommend the Department clarify in the preamble that this part of the Appendix is intended to match, not modify, the NAIC model.

3. Application to foreign insurers

We are not sure if the regulation applies to reserve practices of foreign insurers. If so, this could be a problem to the extent those insurers are subject to different reserve requirements (or different interpretations of the same ones, as this is based on an NAIC model that most other states follow). We recommend the preamble of the regulation should clarify that it applies to domestic insurers only.

We appreciate the opportunity to comment on this. we also appreciate the efforts of Sally Engle and Dana Fulton to resolve the concerns raised here. Based on conversations with them, I think these concerns can be solved, and we look forward to working with the Department to that end through the IRRC process.

Sincerely,



Samuel R. Marshall

c: John H. Jewett, Regulatory Analyst
Independent Regulatory Review Commission

Sally R. Engle, Director
Bureau of Life Filings
Pennsylvania Insurance Department