
MEMORANDUM

To: Amanda Johnson
House Insurance Committee

Melissa Gizzi
Senate Banking and Insurance
Committee

Rick Speese
House Insurance Committee

Ken Varhola
Senate Banking and Insurance
Committee

From: John H. Jewett, Regulatory Analyst
James M. Smith, Regulatory Analyst
Fiona E. Wilmarth, Regulatory Analyst
Independent Regulatory Review Commission

Date: December 3, 1998

Subject: Commission's Comments
Insurance Department
Regulation # 11-147 (#1987), 11-190 (#1989), and 11-170 (#1988)

On December 3, 1998, the Commission submitted its comments to the Insurance Department on the referenced proposed regulations. Copies are attached for your review.

Thank you for your time and consideration. If you have comments or questions, please contact the following staff for the appropriate regulation:

Regulation # 11-147 (#1987) - Jim Smith at 783-5439.

Regulation # 11-170 (#1988) - Fiona Wilmarth at 783-5438

Regulation # 11-190 (#1989) - John Jewett at 783-5475

ATTACHMENT

INDEPENDENT REGULATORY REVIEW COMMISSION

To: Pete Salvatore
Agency: Insurance Department
Phone (717) 787-4429
Fax: (717) 772-1969

From: Kristine M. Shomper
Deputy Director for Administration
Company: Independent Regulatory Review
Commission
Phone: (717) 783-5419 or (717) 783-5417
Fax: (717) 783-2664

Date: December 3, 1998
of Pages: 3

Comments: We are submitting the Independent Regulatory Review Commission's comments on the Insurance Department's regulation #11-190. Upon receipt, please sign below and return to me immediately at our fax number 783-2664. We have sent the original through interdepartmental mail. You should expect delivery in a few days. Thank you.

Accepted by: *Pete J. Salvatore* Date: *12/3/98*



**INDEPENDENT REGULATORY REVIEW COMMISSION
COMMONWEALTH OF PENNSYLVANIA
333 MARKET STREET
14TH FLOOR
HARRISBURG, PA 17101**

**(717) 783-5417
Fax (717) 783-2664**

December 3, 1998

Honorable M. Diane Koken, Commissioner
Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

Re: IRRC Regulation #11-190 (#1989)
Insurance Department
Minimum Reserve Standards for Individual and Group Health and Accident Insurance
Contracts

Dear Commissioner Koken:

Enclosed are our Comments on your proposed regulation #11-190. They are also available on our website at <http://www.irrc.state.pa.us>.

The Comments list our objections and suggestions for your consideration when you prepare the final version of this regulation. We have also specified the regulatory criteria which have not been met. These Comments are not a formal approval or disapproval of the proposed version of this regulation.

If you want to meet with us to discuss these Comments, please contact John Jewett at 783-5475.

Sincerely,

A handwritten signature in black ink that reads "Robert E. Nyce".

Robert E. Nyce
Executive Director

REN:cae
Enclosure
cc: Pete Salvatore
Office of General Counsel
Office of Attorney General
Pete Tartline

COMMENTS OF THE INDEPENDENT REGULATORY REVIEW COMMISSION

ON

INSURANCE DEPARTMENT REGULATION NO. 11-190

**MINIMUM RESERVE STANDARDS FOR INDIVIDUAL AND GROUP HEALTH
AND ACCIDENT INSURANCE CONTRACTS**

DECEMBER 3, 1998

We have reviewed this proposed regulation from the Insurance Department (Insurance) and submit for your consideration the following objections and recommendations. Subsections 5.1(h) and 5.1(i) of the Regulatory Review Act (71 P.S. § 745.5a(h) and (i)) specify the criteria the Commission must employ to determine whether a regulation is in the public interest. In applying these criteria, our Comments address issues that relate to reasonableness and clarity. We recommend that these Comments be carefully considered as you prepare the final-form regulation.

1. Subsection 84a.6(b)(4) Reserve method. – Reasonableness and Clarity.

Subsection 84a.6(b)(4)(iii) requires that the minimum reserve, for individual contracts and group certificates issued before October 23, 1993, be calculated on the two-year preliminary term method. The Insurance Federation of Pennsylvania (IFP) notes that this requirement is appropriate for guaranteed renewable health policies. However, it states that not all policies are guaranteed renewable.

The IFP recommends that this subsection be revised to exclude policies issued before October 23, 1993, and which remain nonrenewable or cancelable at the insurer's option. These policies are a small portion of the total market. However, they are not currently required to have contract reserves. The application of such a requirement to these policies seems inappropriate and unnecessary. The regulation should probably include an exemption for policies that remain nonrenewable or cancelable at the insurer's option.

The IFP also suggests that this subsection provide a phase-in period for policies covered by the contract reserve requirement. The subsection will be revised to list only one minimum reserve calculation method rather than two methods as listed in the existing regulation. It would be reasonable to give insurers a "grace period" in which they can update their contract reserve methods to comply with the one methodology.

Finally, this subsection, as it appears in the *Pennsylvania Bulletin* on October 3, 1998, did not remove the existing Subparagraphs (A) and (B) that Insurance is proposing to delete in its submittal. The subsection in the *Pennsylvania Bulletin* only removes the phrase "as follows:" which is bracketed in bold type for deletion. Before the regulation is published, as final, this typographical omission should be corrected. It needs to be clear that the existing Subparagraphs (A) and (B) are being deleted.