

Original:2220



*An Association of Pennsylvania Nonprofit Senior Services*

1100 Bent Creek Boulevard  
Mechanicsburg, PA 17050

RECEIVED  
2002 FEB 19 AM 9:54  
INDEPENDENT REGULATORY REVIEW COMMISSION

February 18, 2002

Independent Regulatory Review Commission  
333 Market Street, 14<sup>th</sup> Floor  
Harrisburg, PA 17101

Dear Commissioners:

PANPHA has reviewed the Insurance Department's Long Term Care Insurance regulations and recommends that you approve them. Some of the provisions that appear to improve long term care insurance are provisions basing benefits on the need for assistance with activities of daily living; the additional guidance on rate schedule increases; additional consumer disclosures; and additional opportunities for the Department to review company reports on replacement and lapse reporting. PANPHA hopes the Department will use the opportunities to review denials, replacement and lapse reporting of companies to assess whether the new rules help to reduce the number of consumers who do not continue their insurance. Additionally, the current regulation requires that consumers be notified at least annually of the right to designate at least one person to receive notice of lapse or termination of the policy, but the new one reduces this notification requirement to at least every two years. Given that elderly people and their spouses and friends can experience health reverses very quickly, the Department should monitor the notification period to determine whether it is adequate. Thank you for the opportunity to review and comment on this regulation.

Sincerely,

A handwritten signature in cursive script that reads "Beth Greenberg".

Beth Greenberg  
Public Policy Analyst

Original: 2220

**IRRC**

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**From:** Jewett, John H.  
**Sent:** Thursday, January 31, 2002 4:45 PM  
**To:** IRRC  
**Cc:** Sandusky, Richard M.; Wilmarth, Fiona E.; Miller, Sarah E.  
**Subject:** FW: Long Term Care Regulation



ATT00011.htm

Please add this to "Final Comments" on #2220.

-----Original Message-----

From: Vince Phillips [mailto:vphillips@iiap.com]  
Sent: Thursday, January 31, 2002 4:59 PM  
To: 'psalvatore@state.pa.us'  
Cc: Jewett, John H.  
Subject: FW: Long Term Care Regulation

Please add this agent perspective to your comment file.

Vince

-----Original Message-----

From: AIAMLS@aol.com [SMTP:AIAMLS@aol.com]  
Sent: Thursday, January 31, 2002 3:22 PM  
To: vphillips@iiap.com  
Subject: Long Term Care Regulation

Hi Vince,

I appreciated the blurb you included in the last newsletter, providing and update on the regulatory proposal and giving me a chance to add my two cents.

Despite insureds being allowed to designate a second contact in the event of a lapse, agents need to be notified when policies lapse so that they can at least attempt to verify the policy was not lapsed in error, if they so desire. Also, not every insured has a second contact they wish to name on the application. Further for bookkeeping purposes, the agent should be made aware of a lapse as their income would be affected.

I would like to see the Insurance Department put together criteria for Insurance Companies that wish to market this type of protection. The Penn Treaty mess is among us and I for one am darn glad I never sold a Penn Treaty policy, although I lost clients because of this. Right now, I would be so devastated to know that my clients are going to get hit with rate increases ranging from 19% - 258%. Penn Treaty's rates were inadequate when they were filed, yet they were approved by the Department, further, they were known as the Company that would insure anyone. If you had a risk you could not place, you went to Penn Treaty (not me, but many did).

So now what happens to those unhealthy folks that couldn't get insurance elsewhere.... now they are hit with a rate increase or the opportunity to reduce coverage and keep their premium as it was. Gee, how sad to think that people that innocently thought they were protecting themselves for the future, are going to get hit with a rate increase, or have to reduce their insurance....leaving them with more to pay out of pocket at claim time. Where are the safeguards? Why are small

insurance companies with limited assets permitted to sell an insurance product that a very large segment of our population will need to depend on? Why are small companies with Best Ratings lower than "A" allowed to sell a product that has very high odds of being used by the largest segment of our population?

I also think agents that wish to sell this type of insurance, should be better educated. I can't tell you how many times I go to see people that have been given wrong information, agents that don't leave the required Shopper's Guide or Medicare booklets, agents that don't provide Outlines of Coverage (I had one woman who had no idea what she applied for other than the note in her check register as to who deposit premium was made out to), I have seen people with proposals where agents quote simple inflation, no inflation or the Cost of Living Increase Option, just to keep premiums down and make a sale. I even had a local agent attend one of the classes I teach on Long Term Care Insurance at an Adult Community School because he was wanted to learn more about LTC Insurance. Many of the seminars/schools agents can pay to attend are just marketing gigs, looking to sell all kinds of wonderful things to help agents make sales.....the heck with knowing the limited benefits Medicare provides when it comes to long-term care.

I am disappointed to say I have been to recruiting seminars where some agents only care about making a sale and don't know a thing about the policies they are selling. This is not only going to hurt the insured, but the insurance agents' E&O, when 20 years from now people go on claim and their benefit is grossly inadequate because a quick sale was made by knocking off inflation protection.

What safeguards is the Insurance Department going to institute to prevent the small companies from jumping on the LTC band wagon and not having adequate reserves to handle claims? Penn Treaty's practices went on for years, where was the watchdog (Insurance Department)? Look at the companies CONSECO and GE Capital have bought books of business from...why did the companies sell those books, underpriced products and inability to manage claims.

What requirements will the Department have so that Companies properly train agents to sell this product or make available to them the resources to know what they are talking about? I bet you'd lose half of the agents that "play" in this area if they had to educate themselves on Long Term Care policy provisions.

Another problem is outfits that are not Insurance Companies but market services as insurance-type products (what I sent you before and Friends Life Care At Home come to mind). These are bound to pop up frequently as time goes on.

Those are my concerns and my not even be part of the regulatory proposal....but I believe this insurance product if not carefully regulated will victimize those that don't know how to protect themselves from mismanaged insurance companies and agents.

(I know you sent me info previously on the regulation...and I did go over it and put it in a "safe place"..... year end is hectic here and I cannot get my hands on it, so what I have said, my not be relevant, but it sure felt good spewing!)

Thanks for all you do!

Mary

Mary L. Smith, AAI, CSA, President  
Association Insurance Administrators, Inc.  
946 Town Center  
New Britain, PA 18901  
215-348-5060

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spewing!)

Thanks for all you do!

Mary

Mary L. Smith, AAI, CSA, President  
Association Insurance Administrators, Inc.  
946 Town Center  
New Britain, PA 18901  
215-348-5060

# EMBARGOED MATERIAL

## The Insurance Federation of Pennsylvania, Inc.

Original: 2220

1600 Market Street  
Suite 1520  
Philadelphia, PA 19103  
TEL: (215) 665-0500 FAX: (215) 665-0540  
E-mail: mailbox@ifpenn.org

**John R. Doubman**  
Secretary & Counsel

February 20, 2002

Robert E. Nyce  
Executive Director  
Independent Regulatory Review Commission  
333 Market Street  
Harrisburg, PA 17101

**Re: Regulation 11-208 - Insurance Department's  
Long-Term Care Regulation**

Dear Mr. Nyce:

The Insurance Federation supports the captioned final form regulation to be considered by the Independent Regulatory Review Commission on February 21. The regulation establishes a new Chapter 89a regulating the content and filing of long-term care insurance policies and is largely consistent with the NAIC model regulation developed in conjunction with the industry.

This endorsement is being dispatched during the blackout period. The Federation usually would have conveyed its position to the Commission earlier. As you are aware, however, the regulation urgently required a correction with respect to facilities licensure. The Federation was busy arranging this and the Insurance Department very responsibly corrected this deficiency by tolling and resubmitting the regulation on February 8 to substitute corrective language.

While we support the regulation, the Federation regrets that the Department chose to retain its existing limits on sales commissions in Section 89a.129 of the regulation. We question both the public policy basis and authority for these limitations and believe that additional safeguards in the regulation and current conditions dictate more flexibility in that area. Nevertheless, Federation member companies believe that on the

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Page two

whole this regulation will benefit Pennsylvanians and the long-term care insurance market.

This will place the Federation's approval on record.

Sincerely,

John R. Doubman

c: Peter J. Salvatore, Regulatory Coordinator  
Pennsylvania Insurance Department

John Jewitt, Regulatory Analyst  
Independent Regulatory Review Commission

**IRRC**

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**From:** IFP [mailto:mailbox@ifpenn.org]  
**Sent:** Wednesday, February 20, 2002 2:38 PM  
**To:** IRRC  
**Subject:** FW: Regulation 11-208 - Insurance Department's Long-Term Care Regulation

-----Original Message-----

**From:** IFP [mailto:mailbox@ifpenn.org]  
**Sent:** Wednesday, February 20, 2002 2:30 PM  
**To:** IRRC  
**Subject:** Regulation 11-208 - Insurance Department's Long-Term Care Regulation

Good afternoon,

Attached please find a letter from John Doubman regarding Regulation 11-208.

Thank you.

RECEIVED  
FEB 20 PM 3:01  
INSURANCE DEPARTMENT