

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature – Second Regular Session

MINUTES RECEIVED
CHIEF CLERK'S OFFICE

3-16-16

COMMITTEE ON INSURANCE

Report of Regular Meeting
Wednesday, March 16, 2016
House Hearing Room 4 – 10:00 A.M.

Convened 10:03 A.M.

Recessed

Reconvened

Adjourned 11:06 A.M.

Members Present

Mr. Coleman
Mr. Lovas
Ms. McCune Davis
Ms. Otondo
Mr. Robson
Mr. Livingston, Vice-Chairman
Ms. Fann, Chairman

Members Absent

Mr. Larkin

Agenda

Original Agenda – Attachment 1

Request to Speak

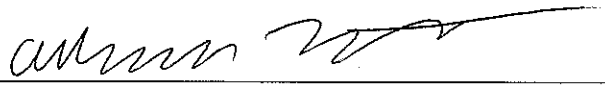
Report – Attachment 2

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Susan Ritchie	Self	3

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments</u> <u>(Summaries,</u> <u>Amendments, Roll Call,</u> <u>Attendance)</u>
SB1441	DPA S/E Committee Attendance	7-0-0-1	4, 5, 6 7



Adrian Luth, Chairman Assistant
March 16, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

CONF: 10:03 A.M.
Adj: 11:06 A.M.

REVISED - 03/14/16

REVISED - 03/14/16

REVISED - 03/14/16

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

REGULAR MEETING AGENDA

COMMITTEE ON INSURANCE

DATE Wednesday, March 16, 2016

ROOM HHR 4

TIME 10:00 A.M. NOTE TIME
CHANGE
9:00 A.M.

Members:

Mr. Coleman
Mr. Larkin
Mr. Lovas

Ms. McCune Davis
Ms. Otondo
Mr. Robson

Mr. Livingston, Vice-Chairman
Ms. Fann, Chairman

Presentation

— Stephen Briggs, Legislative Liaison, Arizona Department of Insurance

Bills

Short Title

Strike Everything Title

ADDENDUM #1 - 03/14/16

SB1441 DPa S/E long-term care insurance; rates; premiums(now: S/E: long-term care insurance
premiums; rates; long-term care insurance)
7-0-0-1 (Barto)
INS, RULES

AL
3/14/16

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

Information Registered on the Request to Speak System

House Insurance (3/16/2016)

SB1441, long term care insurance; rates; premiums (NOW: premiums; rates; long-term care insurance)

Testified in support:

J. Michael Low, Attorney, AMERICAN COUNCIL OF LIFE INSURERS (ACLI), Prudential Insurance

Testified as neutral:

Stephen Briggs, Arizona Department Of Insurance

Testified as opposed:

Susan Ritchie, representing self; Carol Rose, representing self; Patricia Wagener, representing self

Support:

Stuart Goodman, AARP

All Comments:

J. Michael Low, AMERICAN COUNCIL OF LIFE INSURERS (ACLI), Prudential Insurance: ACLI; Susan Ritchie, Self: I am opposed to the proposed strike everything amendment to SB 1441.; Carol Rose, Self: I am opposed to the proposed strike everything amendment to SB1441; Patricia Wagener, Self: I am opposed to strike everything amendment to SB1441.

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Insurance Bill Number 1441

Date March 16, 2016 ☐ Support ☒ Oppose ☐ Neutral

Name Patricia Radke Need to Speak? ☒ Yes ☐ No

Representing Self Are you a registered lobbyist? No

Complete Address 9716 E Glencove Cir Mesa, Az 85207

E-mail Address MOMRADMAN1@aol.com Phone Number 480 833-3713

Comments: I am opposed to the strike everything
Amendment.

FIVE-MINUTE SPEAKING LIMIT

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Insurance Bill Number 1441

Date March 16, 2016 ☐ Support ☒ Oppose ☐ Neutral

Name Donald Radke Need to Speak? ☒ Yes ☐ No

Representing Self Are you a registered lobbyist? No

Complete Address 9716 E Glencove Cir Mesa, Az 85207

E-mail Address METRODad60@aol.com Phone Number 480-833-3713

Comments: I am opposed to the strike
everything amendment.

FIVE-MINUTE SPEAKING LIMIT

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Insurance Bill Number 1441
Date 3-16-2016 ☐ Support ☒ Oppose ☐ Neutral
Name JUDY ORDONEZ Need to Speak? ☒ Yes ☐ No
Representing Self Are you a registered lobbyist? No
Complete Address 2205 E. GALVESTON, Chandler AZ
E-mail Address TS4judy@aol.com Phone Number 480-963-4903
Comments: I am opposed to the strike
everything Amended

FIVE-MINUTE SPEAKING LIMIT

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on INSURANCE Bill Number 1441
Date 3-16-2016 ☐ Support ☒ Oppose ☐ Neutral
Name FRED ORDONEZ Need to Speak? ☒ Yes ☐ No
Representing SELF Are you a registered lobbyist? NO
Complete Address 2205 E. GALVESTON ST Chandler AZ 85225
E-mail Address Seabacat44@aol.com Phone Number 480-963-4903
Comments: I Am opposed to the strike
everything Amended

FIVE-MINUTE SPEAKING LIMIT

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Insurance Bill Number SB 1441

Date 3/16/16 ☐ Support ☒ Oppose ☐ Neutral

Name Betty Gallagher Need to Speak? ☒ Yes ☐ No

Representing Self Are you a registered lobbyist? NO

Complete Address 6446-43 E. Trailridge Cir, Mesa, AZ

E-mail Address B.gal@mesa@gmail Phone Number 480-703-7581

Comments: I am opposed to the strike everything amendment

FIVE-MINUTE SPEAKING LIMIT

**Only 1 state in the country
approved MORE than
MetLife requested on its
LTC2 policyholders
thru June 2014.**

That state was ARIZONA -

**which
APPROVED A WHOPPING
88% INCREASE
on 1149 AZ citizens.**

FLORIDA RATE INCREASE % BY ISSUE AGE

Issue Age	Rate Increase	Issue Age	Rate Increase
<35	25%	58	16%
36	25%	59	15%
37	25%	60	14%
38	25%	61	14%
39	25%	62	13%
40	25%	63	12%
41	25%	64	11%
42	25%	65	11%
43	25%	66	10%
44	25%	67	9%
45	25%	68	9%
46	24%	69	8%
47	24%	70	7%
48	23%	71	6%
49	22%	72	6%
50	21%	73	5%
51	21%	74	4%
52	20%	75	4%
53	19%	76	3%
54	19%	77	2%
55	18%	78	1%
56	17%	79	1%
57	16%	80+	0%

States that DID NOT approve MetLife requested 58% Premium Rate Increase in 2014

15 STATES

NO Premium Increase was approved

California
Connecticut
Indiana
Kentucky
Louisiana
Massachusetts
Maryland
Minnesota
New Mexico
Rhode Island
Texas
Utah
Virginia
Vermont
West Virginia

**35 States + the District of Columbia
said "NO" to MetLife in 2014**

in regards to the rate of increase MetLife requested on its LTC 2
policies for its long-term care insurance policyholders

States that APPROVED LESS than MetLife requested 58% Premium Rate Increase in
2014

20 STATES + District of Columbia

Arkansas	approved 10%
Wash DC	approved 10%
Delaware	approved 25%
Georgia	approved 15%
Idaho	approved 25%
Kansas	approved 38.30%
Mississippi	approved 25%
Montana	approved 10%
North Carolina	approved 25%
North Dakota	approved 15%
Nevada	approved 10%
New York	approved 48%
Ohio	approved 27%
Oklahoma	approved 25%
Oregon	approved 44% - 2 yr phase (20% / 20%)
Nebraska	approved 25.6%
New Jersey	approved 32.25%
New Hampshire	approved 33% Phased (10%, 10%, 10%)
Pennsylvania	approved 20%
South Carolina	approved 20%
Tennessee	approved 20%

**Only 1 State in the country approved MORE than MetLife requested
on its LTC2 policyholders thru June 2014.**

**That state was ARIZONA - which
APPROVED A WHOPPING 88% INCREASE on 1149 AZ citizens.**

PRESS RELEASE

JANET NAPOLITANO
GOVERNOR



CHARLES R. COHEN
DIRECTOR

ARIZONA DEPARTMENT OF INSURANCE

2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7256 · (602) 912-8456 · FAX: (602) 912-8452
www.id.state.az.us

Media Contact: Erin Klug
Public Information Officer
602.912.8456

For Immediate Release
October 21, 2003

New Consumer Protections in Long Term Care Insurance Take Effect

Protections for Arizona consumers of long term care insurance have significantly improved with passage of 2003 legislation introduced by the Department of Insurance that took effect in September. The new law also increased the Department's authority to make rules regarding LTC insurance, which are under development.

A consumer will often buy LTC insurance well in advance of the time that the policyholder expects to make claims under the policy. Buying at a younger age can help lower the cost of the insurance coverage but means that the policyholder may pay premiums for many years before reaping the benefits.

In recent years, some insurers have implemented significant rate increases on existing policies. The increases have been of such magnitude as to render the coverage unaffordable to some policyholders, causing them to allow their policies to lapse after they have paid premiums toward them for years. The Department successfully sought changes in Arizona's LTC law to prevent this kind of situation and to reduce the negative impact of large rate increases on policyholders. Protections included in the new law or to be included in the rules under development, include the following:

Increased Rate Stability

The bill gives the Department express authority to disapprove a rate filing that does not meet the requirements of the LTC laws. The bill also gives the Department the authority to adopt rules to promote premium adequacy and protect policyholders in the event of a substantial rate increase. The proposed rules will require LTC insurers to certify that rates filed with the ADOL will remain stable over the life of the policy. If an insurer later seeks an exceptional rate increase, the insurer must provide extensive justification for the increase. The rules will require the insurer to return much of the added premium to policyholders in the form of benefits. If the insurer's projections do not match experience, the Director will be able to require rate schedule adjustments. The Director will be able to closely monitor lapse frequency under the policy subject to the increase, and, in cases of excessive lapses, require the insurer to offer policyholders the right to switch to a

comparable product. Under the proposed rules, insurers with a pattern of filing inadequate initial premium rates can be banned from the LTC market.

Non-forfeiture Benefits

The new law requires insurers to offer LTC insurance applicants the right to buy a "non-forfeiture" benefit. This provision allows the policyholder to get payment akin to "cash value" if the policyholder has to terminate the policy due to a premium rate increase or a change in financial situation that makes the policy premium unaffordable.

Contingent benefit

The bill requires insurers to provide a "contingent benefit" upon lapse of coverage to any policyholder who declines the option to buy the non-forfeiture benefit and is later subject to a substantial premium rate increase. The proposed rules will specify the policyholder's right to convert to a policy with lesser benefits but similar rates, without additional underwriting.

Unintentional Lapse

The rules will include safeguards designed to prevent policyholders from unintentionally lapsing a policy, by designating a person who can also receive notice of nonpayment of premium.

Enhanced Disclosure

The rules will improve required policyholder disclosures and clarify that an Outline of Coverage must be delivered to applicants at the time of the initial solicitation. The Outline of Coverage must include a description of the terms under which the policy or certificate can be returned and the premium refunded. Once approved, insurers must ensure that LTC policies are delivered within 30 days. Insurers are also required to include information about the insurer's history of taking rate increases.

Other improvements

The rules will have provisions designed to help both agents and applicants assess the suitability of a LTC policy for the applicant by requiring preparation of a "personal worksheet."

In September the Department issued Regulatory Bulletin 2003-11 which encourages insurers to comply with model rule standards pending adoption of rules by the Department. For further details on the new law and pending rules, visit the Department's website at www.id.state.az.us/ltc.html.

For more information about LTC insurance, consumers can contact the Department to obtain a free copy of the *Long Term Care Shopper's Guide*. Consumers with questions or concerns about LTC insurance can call the Department's Consumer Affairs Division in Phoenix at (602) 912-8444 or toll free at (800)325-2548. Written complaints about LTC insurance can be submitted to 2910 N. 44th Street, 2nd Floor, Phoenix, AZ 85018.

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HOUSE OF REPRESENTATIVES

SB 1441

premiums; rates; long-term care insurance

Prime Sponsor: Senator Barto, LD 15

X Committee on Insurance

Caucus and COW

House Engrossed

OVERVIEW

SB 1441 makes various changes to Arizona's long-term care insurance laws relating to premium increases by insurers.

SUMMARY OF STRIKE-EVERYTHING AMENDMENT

The strike-everything amendment to SB 1441 is an emergency measure that requires the Department of Insurance (DOI) to adopt rules relating long-term care insurance.

PROVISIONS

1. Instructs DOI adopt rules that substantially conform to model regulations as adopted by the National Association of Insurance Commissioners (NAIC) relating to long-term care insurance.
2. Exempts DOI from rulemaking for one year, except DOI is required to provide public notice for public comment on the proposed rules at least 60 days before the rules are amended or adopted.
3. Repeals the requirement to adopt rules July 1, 2018.
4. Contains an emergency clause.

CURRENT LAW

The director of DOI is authorized to adopt reasonable rules that establish specific standards for policy provisions of and loss ratio standards for long-term care insurance policies, as well as promote premium adequacy and protect policy holders in the event of substantial rate increases (A.R.S. § 20-1691.02).

ADDITIONAL INFORMATION

The NAIC adopted model regulations for long-term care insurance. In 2014, the NAIC made revisions to the model regulation relating to premium rate schedule increases (Model 641).

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1441

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Long-term care insurance; rulemaking; exemption;

3 delayed repeal

4 A. The department of insurance shall adopt rules relating to long-term
5 care insurance that substantially conform to those adopted in model
6 regulations adopted by the national association of insurance commissioners,
7 including the 2014 revisions.

8 B. For the purposes of implementing this section, the department of
9 insurance is exempt from the rulemaking requirements of title 41, chapter 6,
10 Arizona Revised Statutes, for one year after the effective date of this
11 section, except that the department shall provide public notice and an
12 opportunity for public comment on proposed rules at least sixty days before
13 the rules are amended or adopted.

14 C. This section is repealed from and after June 30, 2018.

15 Sec. 2. Emergency

16 This act is an emergency measure that is necessary to preserve the
17 public peace, health or safety and is operative immediately as provided by
18 law."

19 Amend title to conform

KAREN FANN

1441FANN
03/14/2016
02:03 PM
C: MJH

ATTACHMENT 5

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - Second Regular Session

ROLL CALL VOTE

COMMITTEE ON INSURANCE BILL NO. SB 1441

DATE March 16, 2016 MOTION: DPA S/E

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin					X
Mr. Lovas	X	X			
Ms. McCune Davis		X			
Ms. Otondo		X			
Mr. Robson		X			
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		7	0	0	1

APPROVED:

Karen Fann Chairman
KAREN FANN, Chairman
DAVID LIVINGSTON, Vice-Chairman


COMMITTEE SECRETARY

ATTACHMENT 6

ARIZONA STATE LEGISLATURE
Fifty-second Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON INSURANCE

CHAIRMAN: Karen Fann VICE-CHAIRMAN: David Livingston

DATE	/16	/16	/16	/16	/16
CONVENED	10:03 A.m	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	11:06 A.M				
MEMBERS					
Mr. Coleman	X				
Mr. Larkin	---				
Mr. Lovas	X				
Ms. McCune Davis	X				
Ms. Otondo	X				
Mr. Robson	X				
Mr. Livingston, Vice-Chairman	X				
Ms. Fann, Chairman	X				

√ Present --- Absent exc Excused