



DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION

Bureau of  
Insurance

STATE OF MAINE



# MAINE BUREAU OF INSURANCE

## 129<sup>TH</sup> MAINE LEGISLATURE HEALTH COVERAGE, INSURANCE & FINANCIAL SERVICES COMMITTEE

### ORIENTATION MEETING

**ERIC A. CIOPPA, SUPERINTENDENT**

**JANUARY 17, 2019**

# MAINE BUREAU OF INSURANCE

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- **Mission Statement:**

The Maine Bureau of Insurance regulates the insurance industry to protect and to serve the public.

- **Maine Insurance Code: Title 24 and 24-A M.R.S.A.**

- **A State-based National Regulatory System**

The state of Maine is part of the U.S. insurance regulatory framework. This highly coordinated state-based national system is designed to protect policyholders and to serve the greater public interest through the effective regulation of the U.S. insurance marketplace.

Through the **National Association of Insurance Commissioners (NAIC)**, U.S. insurance regulators establish national standards and best practices, conduct peer reviews and coordinate their regulatory oversight to better protect the interests of consumers while ensuring a strong, viable insurance marketplace.

# THE BUREAU - WHAT WE DO

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- Examine and regulate insurance companies selling products in Maine to ensure they remain solvent and able to pay claims
- Regulate insurance companies, producers (agents and brokers), and other regulated entities to ensure compliance with Maine law
- Assist consumers with insurance questions, appeals and complaints
- Conduct policy cancellation and nonrenewal hearings
- Review proposed insurance rates and forms

# MAINE'S INSURANCE INDUSTRY

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- Mainers paid \$7,346,721,660 in premiums in 2017
- More than 10,000 people were employed in Maine's insurance industry in 2017. (Maine Quarterly Census of Employment & Wages)

## Companies

- 1,349 insurance companies licensed in Maine
- 18 domestic insurers (*headquartered* in Maine)

## Producers

- 142,094 active licenses during 2018
  - Including 5,892 resident licensees
- 18,688 *new* producer licenses issued during 2018
  - Including 612 issued to resident producers

Numbers are current as of 12/31/18 unless otherwise noted.

# DIVISIONS AND UNITS

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- Financial Regulation Division
  - Financial Analysis
  - Examination
- Licensing Unit
- Alternative Risk Unit
- Market Conduct Unit
- Administrative Division
  - Staff Attorneys
  - Support Unit
- Consumer Health Care Division
- Life & Health Actuarial Unit
- Research/Statistical Unit
- Property and Casualty Division
  - PC Actuarial Unit
- Outreach

# MAINE'S PROPERTY & CASUALTY INSURANCE MARKET

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## Personal Auto

Maine – 2nd lowest average premiums nationally in 2016

National Association of Insurance Commissioners Dec 2018 *Auto Premium Ranking*

Lowest uninsured rate in the country

## Homeowners

Maine – 10<sup>th</sup> lowest average premiums nationally in 2016

National Association of Insurance Commissioners Dec 2018 *Homeowners Premium Ranking*

2016 is the most recent year for which data is available.

# WHAT WE DO

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## Property & Casualty Division – 2018

- Investigated 236 written consumer complaints
- Handled 2,240 consumer phone inquiries
- Obtained \$342,903 in restitution for consumers
- Conducted 34 cancellation & renewal hearings
- Processed 2,829 company filings

## Consumer Health Care Division – 2018

- Investigated 422 written consumer complaints
- Handled 2,746 consumer phone inquiries
- Obtained \$1,233,821 in restitution for consumers
- Coordinated 30 external reviews of medical claims
- Processed 1,395 company filings

# PENALTIES FOR VIOLATIONS OF MAINE'S INSURANCE LAWS

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- Civil penalty up to \$500 per violation for an individual
- Civil penalty up to \$10,000 per violation for a corporation
- Cease and Desist Order
- Reprimand/Censure
- Refunds of Overcharges
- Recoveries (payments to consumers)

## Insurance Companies

Suspension or revocation of certificate of authority to sell insurance in Maine

## Insurance Licensees

**(Brokers, Producers)**

Denial of license, suspension, revocation, probation status

## Penalties

2018 Total:

**\$521,187**

Total past 5 years:

**\$2,080,134**

## Recoveries

(on behalf of consumers)

2018 Total:

**\$1,576,724**

Total past 5 years:

**\$9,209,449**



# EMERGING ISSUES

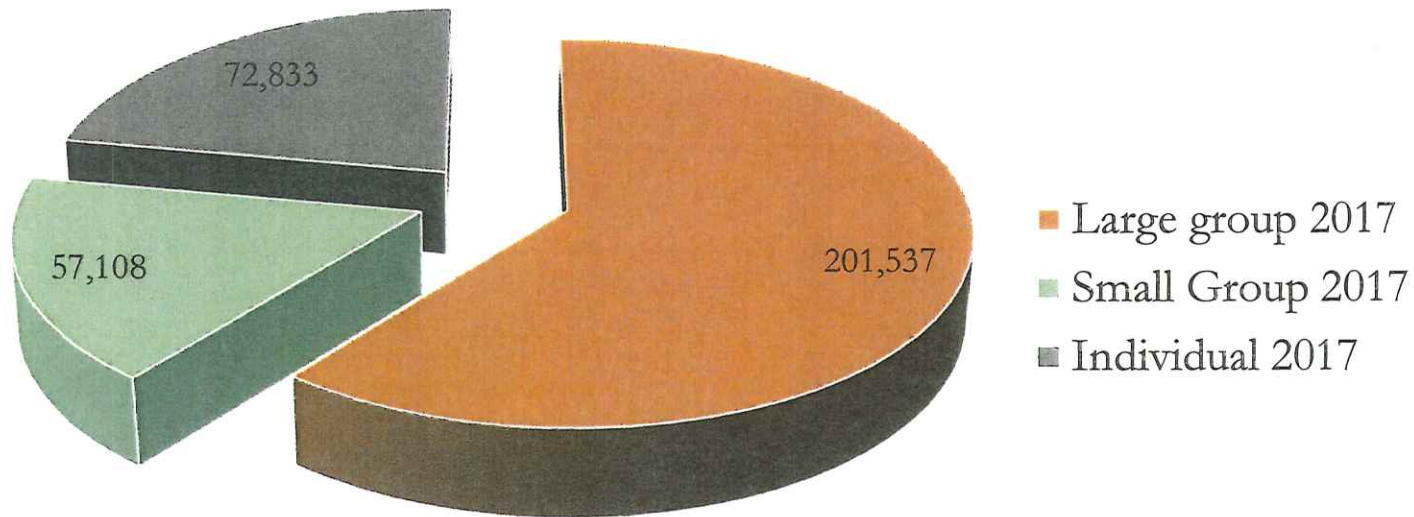
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MAINE'S HEALTH INSURANCE MARKET  
LONG-TERM CARE INSURANCE, LIFE  
INSURANCE  
PROPERTY & CASUALTY INSURANCE  
REGULATORY SYSTEMS  
TECHNOLOGY

# MAINE'S HEALTH INSURANCE MARKET

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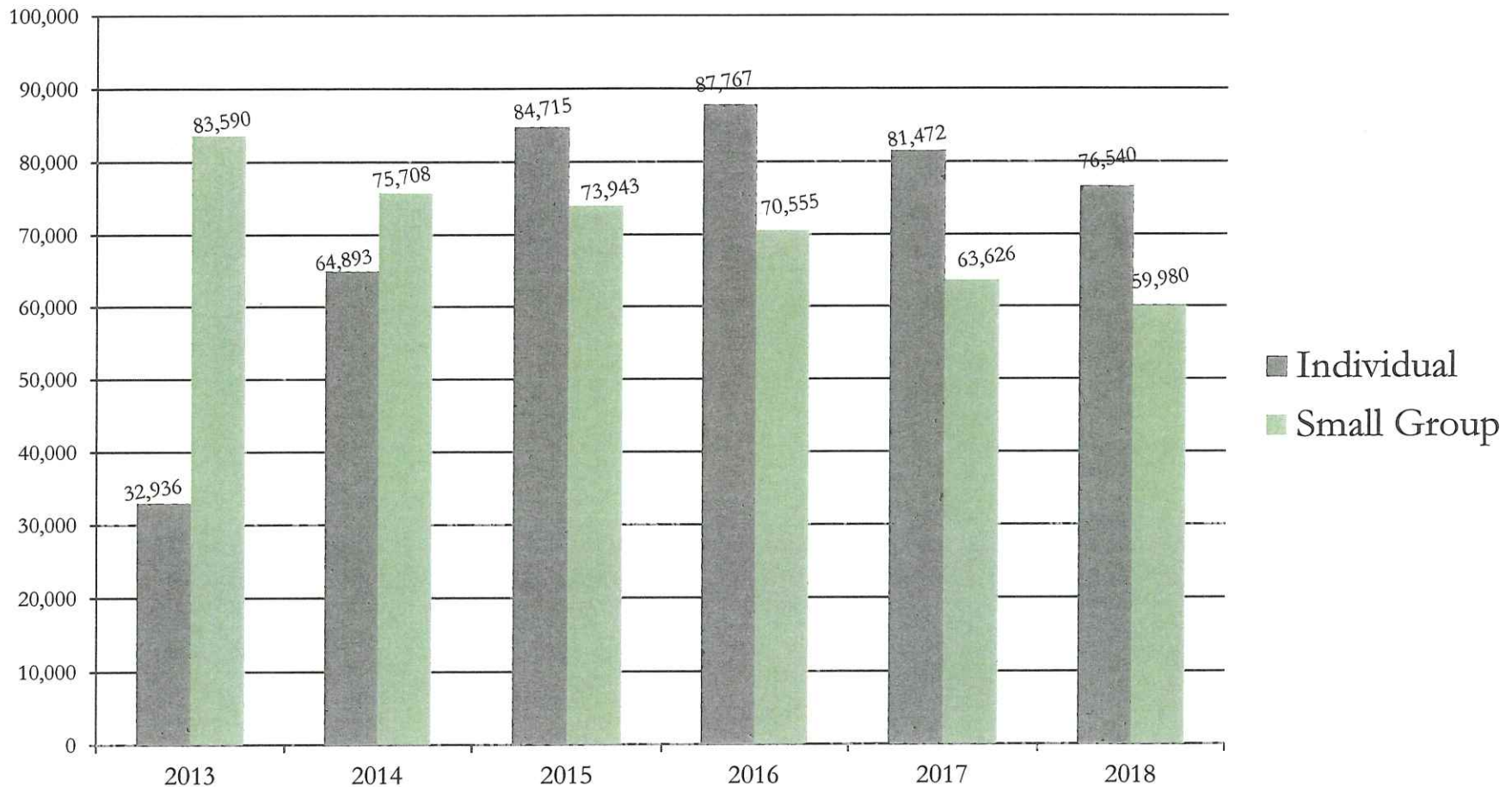
## Members



Source: 2017 Financial Results for Health Insurance Companies in Maine, reported 12/31/17 according to Rule 945.

# MAINE HEALTH INSURANCE MARKET INSURED LIVES

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Open Enrollment numbers reported per Rule 940.

# MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION (MGARA)

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- Purpose: stabilize and reduce premiums in individual market; encourage participation (or continued participation) of carriers
- 18 mos. of MGARA prior to ACA: premiums 20% lower than would otherwise have been
- ACA Section 1332 “State Innovation Waiver” application
- CMS awarded \$65 to Maine in pass-through funding
- Average premium rate change -4.3% to 2.1%
- Second lowest silver plan reduced by average 5-20%

# HOW MGARA WORKS

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Carrier pro-actively cedes coverage of high-cost individuals to MGARA and MGARA pays:

- 90% of claims \$47-77K
- 100% of claims > \$77K

Funding (\$118M):

- Premiums of those ceded (estimated \$34.2M)
- \$4 PMPM assessment (estimated \$18.6M)
- Federal passthrough dollars (\$65.2M)
  - decreased premiums result in decreased federal subsidies and funds are passed back to MGARA

## 2019 INDIVIDUAL AND SMALL GROUP HEALTH INSURANCE RATE FILINGS

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<b>Individual Rate Filings 2019</b>			
<b>Companies</b>	<b>Average Rate Increase</b>	<b>Minimum</b>	<b>Maximum</b>
Anthem	-4.3%	- 15.9%	3.0%
Community Health Options	0.9%	- 2.52%	3.66%
Harvard-HMO	2.1%	-4.4%	3.6%
<b>Small Group Rate Filings 2019</b>			
<b>Companies</b>	<b>Average Rate Increase</b>	<b>Minimum</b>	<b>Maximum</b>
Aetna Health	12.1%	5.0%	21.0%
Aetna Life	7.0%	0.0%	8.1%
Anthem	11.0%	4.2%	19.3%
Community Health Options	8.4%	5.2%	13.8%
Harvard and HPHC	14.8%	5.1%	20.4%
United Healthcare	2.2%	-8.5%	13.2%

# 2019 INDIVIDUAL MAJOR MEDICAL PLANS BY NETWORK TYPE, METAL LEVEL & CARRIER

**2019 Plans By Metal Level Offered By Each Carrier**

Insurance Carrier	Bronze	Silver	Gold	Catastrophic	Network Types	On Exchange	Off Exchange
Anthem Blue Cross Blue Shield (800) 547-4317 <a href="http://www.anthem.com">www.anthem.com</a>	✓	✓	✓	✓	HMO (South)	X	X
	✓	✓	✓	✓	POS (North)	X	X
Maine Community Health Options (MCHO) (855) 624-6463 <a href="http://www.maineoptions.org">www.maineoptions.org</a>	✓	✓	✓		HMO	X	X
	✓	✓	✓	✓	PPO	X	X
Harvard Pilgrim Health Care/ (888) 333-4742 <a href="http://www.harvardpilgrim.org">www.harvardpilgrim.org</a>	✓	✓	✓		HMO	X	X

# SHORT-TERM HEALTH INSURANCE

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- Subject to medical underwriting and pre-ex exclusions.
- Recent federal changes have loosened restrictions on these plans, but the federal changes do not pre-empt Maine requirements
- **Maine Requirements**
- Term: < 12 mos.
- Consecutive terms limited to 24-months (same or different carriers)
- Nonrenewable
- Subject to state mandated benefits
- Preventive coverage
- Prohibition against aggregate dollar limits
- MLR minimum: 50%
- Forms and rates must be pre-approved
- Written disclosure by carrier or producer



# ASSOCIATION HEALTH PLANS

## Maine Requirements

- Both fully-insured and so-called “self-insured” Association Health Plans (AHPs) must community-rate all small employers within the association.
- A fully-insured AHP must have a *bona fide* sponsoring organization approved by the Bureau as meeting the requirements of Maine law for either an association, trust, or “other” group.
- Out-of-state AHPs must file rates, forms, and sponsorship information with the Bureau, and must meet the same requirements as in-state AHPs in order to cover Maine employers.
- “Self-insured” AHPs must be licensed as MEWAs by the Bureau in order to cover Maine employers, unless they’re licensed as insurance companies. MEWAs are subject to both financial supervision and consumer protection requirements, including a *bona fide* sponsoring organization, guaranteed renewal, mandated benefits, joint and several liability, and nondiscrimination on the basis of health status or claims experience.

## OTHER EMERGING ISSUES – HEALTH INSURANCE

### **Community Health Options – Maine’s ACA CO-OP**

- One of 4 (of 23) remaining not-for-profit CO-Ops
- In 2014, CHO was the only CO-OP to report a profit (\$7.4 million)
- In 2015 and 2016 CHO reported a significant net loss (\$75 million) and the Bureau began closely monitoring the company and continues to do so, posting monthly status reports on the Bureau website.
- In 2017, the company reported lower losses and through September 2018 CHO reported approximately \$33 million of net income.

### **Other emerging ACA health insurance issues include**

- An increased use of narrower provider networks, which could lead to lower premiums but restrict consumers’ choice of providers; and
- A federal excise tax on high-cost group health plans, often called the “Cadillac tax,” that has been deferred several times and is now scheduled to take effect in 2022. This tax could result in employers scaling back benefits, shifting more health care costs to covered persons.

# EMERGING ISSUES – LTC & LIFE INSURANCE

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- **Long-term care insurance (LTCi) – Solvency and Affordability**

- It takes many years for LTCi experience to emerge, so large volumes of business were written, across the industry, based on pricing assumptions that turned out to be inadequate.
- This raises financial security concerns for many insurers, which have not collected the premiums they need to pay their claims, and for many consumers, who cannot afford to pay premiums that reflect the true cost of the coverage they bought.
- A Maine domestic insurer has LTCi reserves of more than a billion dollars and is constantly evaluating those reserves; fortunately, unlike insurers that specialize in LTCi, this insurer has other sources of financial strength from a more diversified book of business.

- **Life Insurance and Annuities**

- As the life insurance market evolves, accounting standards need to keep pace. The new principle-based reserving (PBR) approach, which took effect in 2017, was developed as a way to more accurately reflect the actual risk assumed.
- The NAIC is revising its Annuity Suitability Regulation seeking more alignment, when feasible, with the SEC.

# EMERGING ISSUES – PROPERTY & CASUALTY

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- **Property/casualty insurance catastrophe coverage**
  - Nationally, insured losses from major natural disasters since 2004 have far exceeded historical levels as well as insurer expectations.
  - This has not yet been a significant factor in rates in Maine, but the Bureau is watching national risk trends.
  
- **Cybersecurity**
  - Largely in response to the Anthem data breach in 2015 (over 300,000 Mainers affected and nearly 79 million total), the NAIC approved the Insurance Data Security Model Law, in 2017.
  - The model law requires insurance entities to meet standards for cybersecurity
    - testing
    - board of directors commitment to and active involvement in cybersecurity planning and operations
    - incident response plans, and
    - procedures to notify regulators of security breaches.
  
- **Terrorism**
  - Unpredictable frequency and severity of losses due to terrorist acts raises substantial questions of what coverage, if any, insurers should provide to persons with respect to terrorism and how any such coverage can be priced.
  - A federal “backstop,” reauthorized in 2015, allowed insurers to maintain coverage for certain terrorism acts. The program is set to expire on December 31, 2020.

# EMERGING ISSUES - REGULATION

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- **International insurance regulation**
  - Multilateral Memorandum of Understanding (MMOU) is a regulatory cooperation agreement established under the auspices of the International Association of Insurance Supervisors (IAIS).
  - The MMOU creates a global framework for cooperation and information exchange among insurance supervisors and sets minimum standards to which signatories must adhere.
    - ✦ In 2015, Maine became the 8<sup>th</sup> state to qualify to join.
  - International Capital Standards (ICS) may have a significant negative impact on U. S. insurers and insurance consumers if not changed.
- **Federalism**
  - The U.S. insurance regulatory system is under increasing pressure to conform more closely to the capital standards and methodologies used in other financial sectors and other countries, particularly the European Union.

# EMERGING ISSUES - TECHNOLOGY

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- **InsurTech**

Technological developments that make the processes related to insurance (sales, underwriting, claims-handling, etc.) less expensive, more efficient and more immediate.

These developments raise questions for insurers, policymakers, and regulators regarding appropriate insurance practices and standards. Some examples:

- **Gig (or “Sharing”) Economy**
  - Technology based “sharing” of houses, motor vehicles, or other personal assets for a fee.
- **Motor Vehicle Issues**
  - Fully autonomous vehicles (AV) are expected to be offered for sale by the next decade. Some predictions suggest driverless cars may have a 75% penetration rate by 2040.
  - Technology now exists which allows tracking of where and when cars are driven.
- **Platform-Based Coverage**
  - Insurance for personal items, such as cameras, skis, or personal electronics is now available through companies that interact with their customers through apps.
- **Increase of the complexity of models**

# MAINE BUREAU OF INSURANCE

## CONTACT INFORMATION

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### **General Contact Information**

Consumer Help Line (in-state only) 1-800-300-5000

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Email: [insurance.pfr@maine.gov](mailto:insurance.pfr@maine.gov)

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