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Ms. Laura Arp, Co-Chair

Mr. Andy Schallhorn, Co-Chair

Accident and Sickness Insurance Minimum Standards (B) Subgroup

National Association of Insurance Commissioners

444 North Capitol Street NW, Suite 700

Washington, DC 20001

Via email: jmatthews@naic.org

RE: ACLI Comments on the Next Phase of Model 171 Updates and Modernization

Dear Ms. Arp and Mr. Schallhorn,

The American Council of Life Insurers (ACLI) appreciates the opportunity to offer comments regarding the next phase of work to update Model 171 (Minimum Standards for Supplemental Insurance and Short-term Limited Duration Insurance). ACLI's members provide many of the products regulated under this model, including dental and vision coverage, disability income, supplemental fixed indemnity, accident-only, and specified disease/critical illness benefits that provide financial security in the event of illness or injury for millions of working Americans and their families. We are committed to affordable and valuable products that enable consumers to have access to quality dental and vision care and to protect against the financial impact of accidents and illness beyond medical expense coverage. Additionally, ACLI's members are committed to ensuring that consumers understand that these products provide important financial protection but are not an alternative to major medical coverage.

The Value of Supplemental Benefits

Supplemental Benefits products are a key component of the financial security portfolios of many families across the country and are highly valued by the people who buy them. Without Supplemental Benefits products, consumers that have an illness or injury can be at risk for daunting out-of-pocket costs that are not covered by their medical insurance and could quickly deplete family budgets or push families into debt. Here are just a few statistics on the fragility of household budgets when it comes to unexpected health care expenses:

- "Over the past five years, the average annual deductible among all covered workers has increased 53%."
- *The Kaiser Family Foundation*

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 95 percent of industry assets in the United States.

- “45% of respondents say they have \$0 in savings. And additional 24% said they only have \$1000 in savings.”
- *GOBankSavings Survey, 2019*
- “About half of consumers with a high-deductible health plan say it would be hard to afford the deductible.”
- *PwC Health Research*
- “86 percent of surveyed employees see a need for voluntary [Supplemental] insurance and 93 percent of employees stated they chose to enroll in voluntary insurance because they believe the policies ‘help protect their financial security’.” - *Aflac WorkForces Report, 2020*

In 2020 Global Strategy Group conducted a survey of 500 supplemental insurance beneficiaries (accident-only, hospital or other fixed indemnity, and specified disease/critical illness policyholders) who received benefits in the past 10 years. The survey found that Supplemental insurance beneficiaries are overwhelmingly satisfied with their plans and rate them very highly, with 94% to 95% satisfaction rate depending on the product type and a 98% to 99% satisfaction with the service they received.

These consumers were found to have a positive experience interacting with their insurance provider, including over 90% satisfaction with claims filing, timeliness of benefit payments, and ability to communicate with the insurer when they had questions. Questions about consumer attitudes also showed that 93% found that the coverage offered them peace of mind, 89% found the benefits easy to understand and use, 90% felt the plan was there when they needed it, 90% believe they receive value for their monthly premium, and 89% agreed that purchase of the plan was a valuable investment in their financial protection.

Model Regulation That Works

Although Model 171 is now decades old, it has provided tried and true consumer protection guidance to state regulators over the years. We agree that the Model Regulation (Model 171) must be updated to reflect the changes made in the Model Act (Model 170) that removed comprehensive primary medical coverage. However, with the exception of a few provisions that need to be modernized, we believe that Model 171 continues to allow for effective consumer protection guidance for states. As with the Model Act, we believe that the changes needed to Model 171 are minimal and such a minimalist approach will assure the least amount of disruption to the well-functioning Supplemental Benefit markets while continuing to protect consumers.

With that in mind, we offer the following general comments related to that next phase of the Model modernization work.

Maintain Focus on Minimum Standards Following Model 170

ACLI supports the Subgroup’s previous agreement to ensure that Model 171 continues to reflect minimum insurance product standards only. This Model is not intended to address marketing standards, medical loss ratio requirements, or unfair trade practices – all of which are the subject of other NAIC Models. We encourage the Subgroup to ensure that provisions or issues that are not relevant to this Model Regulation are not incorporated.

Clearly Distinguish Requirements for STLDI from All Other Products

ACLI is very supportive of previous recommendations made by stakeholders such as AHIP and BCBSA that call for a clear distinction between Supplemental products and Short-Term Limited Duration insurance (STLDI) in the model. We support the suggestion to separate STLDI from the other products listed in the model by creating entirely new sections specific to STLDI coverage. Unlike the Supplemental products and Disability Income benefits regulated under the model, STLDI insurance is a form of primary medical coverage meant to serve as a bridge between permanent primary coverages. STLDI is not a HIPAA excepted benefit and there may be consumer protection standards appropriately applied to this coverage

that would be inappropriate for HIPAA excepted benefits such as the Supplemental products regulated under model 171. To assure there is no confusion or chance for misinterpretation of the applicability of some of the consumer protection provisions appropriate for STLDI on Supplemental products, ACLI supports the continued distinction between supplementary and short-term health insurance coverage reflected in the scope of the *Supplementary and Short-Term Health Insurance Minimum Standards Model Act* (Model 170). We support this continued distinction via separate sections within Model 171 for appropriate minimum standards and required disclosures applicable to STLDI.

Specific Comments Related to Sections 6 and 7.

Section 6 Comments:

The current prohibited policy provision minimum standards articulated in Section 6 remain relevant for supplementary products, therefore very minimal changes are required in order to modernize the language:

- Remove all mentions of “short-term health insurance” (except when it is the citation of the name of the model) as those products will be addressed in a new section.
- Section (C) - a twelve-month pre-existing condition period remains the appropriate minimum standard for supplemental products to avoid adverse risk selection.
- Section (F) - Maintain the list of allowable pre-ex exclusions to avoid adverse risk selection and premium increases, except clarify that aviation is non-commercial or recreational. Also, incarceration should be maintained since the person is not working and therefore should not be eligible for income replacement.

Section 7 Comments:

The current benefit minimum standards articulated in Section 7 remain relevant for Supplemental products, therefore very minimal changes are required to modernize the language:

- Remove all mentions of “short-term health insurance” (except when it is the citation of the name of the model) as those products will be addressed a new separate section on STLDI.
- Remove the words “or certificate” from the first paragraph. Including this word creates a requirement that state insurance departments must review each certificate issued to a group member under a policy which would be very burdensome.
- Under 7(A)(6) clarify that if cancelation is due to non-payment of premium, the pregnancy trigger requirement does not apply.
- Under 7(B)(1), 7(D), 7E(3)(a) and (b), 7E(4 - 6), and 7F we recommend removing the dollar amounts and replacing them with brackets [X] so that states can more easily update the amounts according to cost factors in their area.

Thank you once again for the opportunity to submit comments on Model 171 Minimum Standards. We are looking forward to a productive discussion over the coming months as we work together to update Model 171.

Sincerely,



Cindy Goff

Cc: Jolie Matthews, NAIC