

# A LOOK AT INSURANCE ISSUES IN 2018

By Jon Gentile



## 2018 WILL USHER IN WHAT

promises to be contentious midterm elections, in which control of the U.S. Congress will be at stake. It is in this highly-charged environment that important issues for independent agents must be addressed. If 2017 was thought to be a busy year for insurance industry issues before Congress, 2018 shows no sign of letup.

Here's a look at just a few of the issues we'll be working on this year:

### REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP)'s five-year reauthorization expired on September 30, 2017 and is currently operating on a short-term extension.

PIA National supports a long-term reauthorization of the NFIP, as the program provides critical support to those affected by floods and coverage that the private insurance market is still largely unable to supply.

PIA remains opposed to the reauthorization bill that passed the House in November 2017 (but has not been considered in the Senate), the 21st Century Flood Reform Act (H.R. 2874), because it includes a provision that will likely lead to cuts in commissions for agents selling policies through the NFIP.

While H.R. 2874 includes some important reforms to the NFIP for which PIA has advocated—including expanding the availability of the private flood market and revamping mapping and mitigation programs—it would cut the Write-Your-Own (WYO) reimbursement rate paid to insurance companies that participate in the NFIP by three percentage points. The WYO reimbursement rate is the vehicle by which agents receive their commissions for selling NFIP policies. Many WYO carriers have stated that they intend to pass on the cut to agents through their commissions.

PIA will continue to advocate for a long-term extension that either removes the cut to the WYO rate or includes a substantial protection for agent commissions.

### FEDERAL INSURANCE REGULATION

In November 2016, PIA National became the first association to publicly call for the full repeal of the Federal Insurance Office (FIO). Over the last year, we have been joined by other stakeholders in calling for the elimination of this office.

PIA National has since worked with members of Congress to develop legislation that would scale back the power of the FIO. As such, PIA National supports H.R. 3861, the Federal Insurance Office Reform Act of 2017, introduced by Representatives Sean Duffy (R-WI) and Denny Heck (D-WA). While PIA National has advocated for and continues to seek the full repeal of this office, we support this bill because it will begin to scale back FIO's authority, particularly on some domestic matters.

PIA National supports efforts to rein in the FIO, but at the same time we will continue to seek our ultimate goal of the office's repeal. Getting rid of the would ensure that the regulation of insurance will continue to be the responsibility of the states. To that end, we also support H.R. 4483, the "Federal Insurance Office Abolishment Act of 2017," introduced by Rep. Alex Mooney (R-WV), a bill that would fully repeal the FIO.

### PROTECTING CROP INSURANCE

The Federal Crop Insurance Program (FCIP) is set to expire in September 2018 as part of the larger Farm Bill.

Throughout 2017, the House and Senate Agriculture committees held hearings in Washington, D.C. and around the country on a variety of Farm Bill topics, including crop insurance. PIA National has also actively met with House and Senate offices, pushing back against attempts to cut the program, either in the appropriations process or during the reauthorization of the Farm Bill.

PIA National will continue to advocate for crop insurance and the important role that independent agents play in the delivery of the program, and will continue to build

support for the independent agent position in preparation for the program's renewal.

### CADILLAC TAX

Although efforts to repeal the Affordable Care Act are on hold for now, PIA will continue to aggressively work on issues that negatively affect agents and employer-sponsored health plans.

In January, PIA and its allies achieved an early victory in the new year, when the implementation of the so-called healthcare "Cadillac Tax" was delayed for a second time, to 2022. The delay was included in a continuing resolution (CR) to extend government funding. The tax was originally slated to be implemented in 2018, but, in 2015, PIA, along with our allies, helped to implement a delay of two years to 2020. Since then, we have been encouraging policymakers to pass either a full repeal of the Cadillac Tax, or another delay.

The Cadillac Tax, which has yet to be implemented, would apply a 40 percent excise tax to fully insured and self-funded employer health plans, and would be levied on plans with premiums higher than \$10,800 for individual coverage and \$29,100 for family coverage. Most experts believe that, if the "Cadillac Tax" takes effect, costs will quickly surpass the thresholds, resulting in the tax being imposed on the vast majority of employer-sponsored health plans.

PIA supports full repeal of the "Cadillac Tax" and will continue efforts to see that it is never implemented.

### PIA-SUPPORTED AGENT COMPENSATION BILL INTRODUCED

The ACA implemented a requirement for health insurance companies called the medical loss ratio (MLR). The MLR is designed to limit the amount that a company can spend on administrative costs. PIA agrees with this goal; however, the MLR requirement has been interpreted in a way

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that has resulted in reductions to agent compensation. As a result, many agents have been forced out of the health insurance market, leaving consumers without guidance in the complex process of selecting health plans.

To address this issue, PIA has been working with the U.S. Department of Health and Human Services (HHS) to exempt agent compensation as an administrative cost in the MLR formula. Our efforts were delayed with the resignation of Tom Price as HHS secretary, but we've recently been working with allies to address this through the regulatory process.

At the same time, PIA has also been working to have legislation we've supported in previous years reintroduced, the Access to Independent Health Insurance Advisors Act. On December 7, Rep. Billy Long (R-MO) introduced such legislation, H.R. 4575, to exempt agent compensation from the administrative portion of the MLR formula. On January 11, 2018 Senator Johnny Isakson (R-GA) introduced a companion bill, S. 2303. 

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