

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 352 (Delegate Rosenberg, *et al.*)
Health and Government Operations

Life Insurance - Freedom to Travel Act

This bill prohibits insurers of life insurance from (1) refusing to insure; (2) refusing to continue to insure; (3) limiting the amount, extent, or kind of coverage available; or (4) charging a different rate for the same coverage *solely* for reasons associated with an applicant's or insured's future lawful travel plans, unless specified conditions are met. The bill also clarifies that the same existing discrimination prohibitions related to past lawful travel experiences apply only to life insurance contracts.

Fiscal Summary

State Effect: The bill does not affect government operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: For life insurance policies, an insurer may not (1) refuse to insure; (2) refuse to continue to insure; (3) limit the amount, extent, or kind of coverage available; or (4) charge a different rate for the same coverage *solely* for reasons associated with an applicant's or insured's future lawful travel plans, unless:

- the risk of loss for individuals who travel to the specified location at the specified time is reasonably anticipated to be greater than if the individual did not travel to that destination at that time; and
- the risk classification is based on sound actuarial principles and actual or reasonably anticipated experience.

An insurer is considered to have met the above conditions if, related to an insured's travel destination, (1) the director of the Centers for Disease Control and Prevention of the U.S. Department of Health and Human Services has issued a highest level alert or warning, including a recommendation against nonessential travel, due to a serious health-related condition or (2) there is an ongoing armed conflict involving the military of a sovereign nation foreign to the country of conflict.

Current Law: State law prohibits the following unfair discriminatory practices for life insurance and annuity contracts.

- A person may not make or allow unfair discrimination between individuals in the same risk class and with an equal life expectancy in charged rates, dividends or other payable benefits, or any of the other terms or conditions.
- An insurer may not make or allow a differential in ratings, premium payments, or dividends based on blindness or other physical handicap or disability of an applicant or policyholder. However, actuarial justification for a differential may be considered for a physical handicap other than blindness or hearing impairment.
- Unless there is actuarial justification, an insurer may not refuse to insure or make or allow a differential in ratings, premium payments, or dividends solely because the applicant or policyholder has (1) the sickle-cell trait; (2) thalassemia-minor trait; (3) hemoglobin C trait; (4) Tay-Sachs trait; or (5) a genetic trait that is harmless in itself.
- An insurer may not refuse to insure; refuse to continue to insure; limit the amount, extent, or kind of coverage available; or charge a different rate for the same coverage *solely* for reasons associated with an applicant's or insured's *past* lawful travel experiences.

Background: In 2008, the National Association of Insurance Commissioners updated and released model legislation related to unfair trade practices in the insurance industry, including life insurance. Known as the "Unfair Trade Practices Act," the model provides language that can be adopted by states. The bill's language is based on this model legislation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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