

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 774 (Delegates Kipke and Bromwell)
Health and Government Operations

Finance

Insurance - Short-Term Medical Insurance - Study

This bill requires the Maryland Insurance Administration (MIA) to conduct a study to assess the need in the State for short-term medical insurance offered by nonadmitted insurers. MIA must submit a report on its findings and recommendations to the Governor and specified committees of the General Assembly by December 31, 2017.

The bill takes effect June 1, 2017.

Fiscal Summary

State Effect: MIA special fund expenditures increase by a minimal amount in FY 2018 only for contractual services to conduct the required study and submit the required report. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: “Short-term medical insurance” means medical insurance with a policy term that does not exceed 11 months.

The study must (1) identify why individuals are in need of short-term medical insurance; (2) assess the availability of short-term medical insurance offered by admitted insurers; (3) determine whether short-term medical insurance policies are being offered online and, if so, whether they are procured through licensed Maryland insurance producers;

(4) compare the coverages under and premiums for short-term medical insurance offered by admitted insurers and the underwriting practices of those insurers with those of policies offered by nonadmitted insurers as a surplus line and the underwriting practices of those insurers; (5) assess the impact on the admitted health insurance market and consumers of authorizing nonadmitted insurers to offer short-term medical insurance as a surplus line to specified individuals in Maryland; (6) review and provide information about consumer complaints and enforcement activities relating to short-term medical insurance; and (7) make specified recommendations.

In conducting the study, MIA must solicit input from specified stakeholders, including admitted and nonadmitted insurers and consumers.

Current Law: An “admitted insurer” means an insurer that is authorized to engage in the business of insurance in the State. A “nonadmitted insurer” means an insurer that is not authorized to engage in the business of insurance in the State. Insurance may only be purchased from an unauthorized insurer as a surplus line if certain conditions are met.

Chapters 207 and 208 of 2016 authorized short-term medical insurance to be purchased from a nonadmitted insurer in the State as a surplus line if (1) the insurance coverage being sought is in excess of coverage available from, or is unavailable from, an admitted insurer in the State that writes that particular kind and class of insurance and (2) the coverage is provided for a limited time and involves travel to or from the United States in a specified manner. Short-term medical insurance may not be procured from a nonadmitted insurer unless (1) it is purchased through a qualified surplus lines broker; (2) if purchased on the Internet, the website identifies the broker; and (3) the diligent search made includes a search of the short-term medical insurance policies offered for sale by admitted insurers. An affidavit regarding the required diligent search for short-term medical insurance procured from a nonadmitted insurer must include the reason for the declination for each declining authorized insurer.

A short-term medical insurance policy procured from a nonadmitted insurer may not include a preexisting condition exclusion or a definition of sickness or illness that began before the effective date of the policy unless the condition, sickness, or illness was first manifested, treated, or diagnosed before the effective date of the policy.

Under Title 3 of the Insurance Article, surplus lines insurance is subject to a premium receipts tax of 3% on all gross premiums, less any returned premiums, charged for surplus lines insurance. Revenues generally accrue to the general fund.

Unless licensed or authorized in his or her home state to act as a surplus lines broker in Maryland, a person must obtain a certificate of qualification from MIA. An applicant for

a certificate must be qualified as an insurance producer for property insurance and casualty insurance and be competent and trustworthy, as determined by the Commissioner.

Background: According to MIA, surplus lines are not subject to regulation by the Insurance Commissioner. The Commissioner may issue a cease and desist order and impose a penalty of up to \$125,000 for the unauthorized sale of surplus lines as an unfair trade practice (§ 4-113(d) of the Insurance Article). Short-term medical insurance is not subject to any Maryland health insurance mandates nor any federal requirements under the federal Patient Protection and Affordable Care Act (ACA). Short-term medical insurance also does not satisfy the individual mandate requirements of the ACA. MIA advises that, currently, four admitted insurers sell short-term medical insurance in Maryland.

State Expenditures: MIA advises that it cannot conduct the required study using existing resources; given the seven-month timeframe to conduct the study and submit the required report, MIA requires temporary contractual assistance. Thus, MIA special fund expenditures increase by a minimal amount for contractual services in fiscal 2018 only.

Additional Information

Prior Introductions: None.

Cross File: SB 380 (Senator Feldman, *et al.*) - Finance.

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

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