

MARYLAND REGISTER

# Proposed Action on Regulations

<b>Transmittal Sheet</b>  <b>PROPOSED OR REPROPOSED</b>  <b>Actions on Regulations</b>	<b>Date Filed with AELR Committee</b>	<b>TO BE COMPLETED BY DSD</b>
	05/05/2014	Date Filed with Division of State Documents
		Document Number
		Date of Publication in MD Register

1. Desired date of publication in Maryland Register: 6/13/2014

2. COMAR Codification

**Title Subtitle Chapter Regulation**

31 14 01 01

31 14 02 01, .11, .13 and .14

3. Name of Promulgating Authority

Maryland Insurance Administration

4. Name of Regulations Coordinator

Katrina Lawhorn

Telephone Number

410-468-2450

Mailing Address

200 St. Paul Place, Ste 2700

**City State Zip Code**

Baltimore MD 21202

Email

katrina.lawhorn@maryland.gov

5. Name of Person to Call About this Document

Katrina Lawhorn

Telephone No.

410-468-2450

Email Address

katrina.lawhorn@maryland.gov

6. Check applicable items:

- New Regulations  
 Amendments to Existing Regulations  
Date when existing text was downloaded from COMAR online: April 28, 2014.  
 Repeal of Existing Regulations  
 Recodification  
 Incorporation by Reference of Documents Requiring DSD Approval  
 Reproposal of Substantively Different Text:  
: Md. R  
(vol.) (issue) (page nos) (date)  
Under Maryland Register docket no.: --P.

**7. Is there emergency text which is identical to this proposal:**

Yes  No

**8. Incorporation by Reference**

Check if applicable: Incorporation by Reference (IBR) approval form(s) attached and 18 copies of documents proposed for incorporation submitted to DSD. (Submit 18 paper copies of IBR document to DSD and one copy to AELR.)

**9. Public Body - Open Meeting**

OPTIONAL - If promulgating authority is a public body, check to include a sentence in the Notice of Proposed Action that proposed action was considered at an open meeting held pursuant to State Government Article, §10-506(c), Annotated Code of Maryland.

OPTIONAL - If promulgating authority is a public body, check to include a paragraph that final action will be considered at an open meeting.

**10. Children's Environmental Health and Protection**

Check if the system should send a copy of the proposal to the Children's Environmental Health and Protection Advisory Council.

**11. Certificate of Authorized Officer**

I certify that the attached document is in compliance with the Administrative Procedure Act. I also certify that the attached text has been approved for legality by Lisa Hall, Assistant Attorney General, (telephone #410-468-2030) on May 2, 2014. A written copy of the approval is on file at this agency.

**Name of Authorized Officer**

Therese M. Goldsmith

**Title**

Insurance Commissioner

**Telephone No.**

410-468-2090

**Date**

May 5, 2014

**Title 31**  
**MARYLAND INSURANCE ADMINISTRATION**

**Subtitle 14 LONG-TERM CARE**

**31.14.01 Long-Term Care Insurance**

**Subtitle 14 LONG-TERM CARE**

**31.14.02 Long-Term Care Insurance—Premium Rates and Reserves**

Authority: Insurance Article, §§2-109, [10-115, 10-116.1,] 14-124, 14-126, 14-136, and 15-412, Title 18, Subtitle 1, and Title 27; Health-General Article, §19-705; Annotated Code of Maryland

**Notice of Proposed Action**

[]

The Insurance Commissioner proposes to amend:

- (1) Regulations .01 under COMAR 31.14.01 Long-Term Care Insurance; and
- (2) Regulations .11, .13, and .14 under COMAR 31.14.02 Long-Term Care Insurance—Premium Rates and Reserves.

**Statement of Purpose**

The purpose of this action is to update long-term care reserve standards consistent with the most recent NAIC model regulation standards, as well as to make certain technical corrections and stylistic changes to the language of the regulations.

**Comparison to Federal Standards**

There is no corresponding federal standard to this proposed action.

**Estimate of Economic Impact**

**I. Summary of Economic Impact.**

Higher reserve requirements may indirectly lead to higher rates for long-term care insurance policies issued after January 1, 2015

<b>II. Types of Economic Impact.</b>	Revenue (R+/R-)	Magnitude
	Expenditure (E+/E-)	
A. On issuing agency:	NONE	
B. On other State agencies:	NONE	
C. On local governments:	NONE	
	Benefit (+)	Magnitude

Cost (-)

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D. On regulated industries or trade groups:	(+)	Difficult to Quantify
E. On other industries or trade groups:	NONE	
F. Direct and indirect effects on public:	(+)	Difficult to Quantify

**III. Assumptions.** (Identified by Impact Letter and Number from Section II.)

D. Higher reserves will be required for long-term care insurance policies issued after January 1, 2015.

F. Higher reserve requirements may indirectly lead to higher rates for long-term care insurance policies issued after January 1, 2015.

**Economic Impact on Small Businesses**

The proposed action has minimal or no economic impact on small businesses.

**Impact on Individuals with Disabilities**

The proposed action has no impact on individuals with disabilities.

**Opportunity for Public Comment**

Comments may be sent to Katrina Lawhorn, Regulations Coordinator, Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, or call 410-468-2450, or email to [katrina.lawhorn@maryland.gov](mailto:katrina.lawhorn@maryland.gov), or fax to 410-468-2020. Comments will be accepted through July 14, 2014. A public hearing has not been scheduled.

**Economic Impact Statement Part C**

A. Fiscal Year in which regulations will become effective: FY 2015

B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?

No

C. If 'yes', state whether general, special (exact name), or federal funds will be used:

D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:

Funds are not necessary to implement these changes.

E. If these regulations have no economic impact under Part A, indicate reason briefly:

F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

These amendments will make long-term care standards consistent internally and with the

latest NAIC model regulation and will have no economic impact on small businesses.

G. Small Business Worksheet:

Attached Document:

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## **Title 31 MARYLAND INSURANCE ADMINISTRATION**

### **Subtitle 14 LONG-TERM CARE**

#### **Chapter 01 Long-Term Care Insurance**

Authority: Insurance Article, §§2-109, [10-115, 10-116.1, ]14-124, [14-126, 14-136, and 15-412,] Title 18, Subtitle 1, and Title 27;  
Health-General Article, §19-705; Annotated Code of Maryland

##### **.01 Applicability and Scope.**

Except as otherwise specifically provided, this chapter applies to all long-term care insurance policies delivered or issued for delivery in this State on or after the effective date by insurers, nonprofit health service plans, *and* health maintenance organizations[, and preferred provider organizations]. These regulations are not intended to supersede other applicable insurance laws or regulations which do not conflict with this chapter.

# Title 31 MARYLAND INSURANCE ADMINISTRATION

## Subtitle 14 LONG-TERM CARE

### Chapter 02 Long-Term Care Insurance—Premium Rates and Reserves

Authority: Insurance Article, §§2-109, [10-115, 10-116.1,] 14-124[, 14-126, 14-136, and 15-412]; Title 18, Subtitle 1; and Title 27; Health-General Article, §19-705; Annotated Code of Maryland

#### **.01 Applicability and Scope.**

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#### **.02 — .10 (text unchanged)**

#### **.11 Claim Reserves.**

##### A. General Claim Reserve Requirements.

(1) — (4) (text unchanged)

##### B. Minimum Standards for Claim Reserves.

(1) The maximum interest rate for claim reserves for long-term care insurance is the maximum rate permitted by Insurance Article, Title 5, Subtitle 3, Annotated Code of Maryland, in the valuation of whole life insurance issued on the same date as the claim incurral date [and with a guarantee duration equal to the maximum benefit period].

(2) (text unchanged)

##### C. (text unchanged)

#### **.12 (text unchanged)**

#### **.13 Contract Reserves.**

##### A. (text unchanged)

##### B. Minimum Standards for Contract Reserves.

###### (1) Basis of Contract Reserves.

(a) — (d) (text unchanged)

(e) Termination rates used in the computation of contract reserves for long-term care insurance shall be on the basis specified in §B(1)(f) [and], (h) *and* (i) of this regulation.

(f) The termination rates used in the computation of contract reserves for terminations due to mortality shall be on the basis of:

(i) *For policies or group certificates issued before January 1, 2015,*[The] *the 1983 Group Annuity Mortality Table, as found in COMAR 31.05.05, without projection; or*

(ii) *For policies or group certificates issued on or after January 1, 2015, the 1994 Group Annuity Reserving Table, as found in COMAR 31.05.05, without the projection found in COMAR 31.05.06; or*

[(ii)] (iii) (text unchanged)

(g) The insurer shall request approval to use a table described in §B(1)(f)[(ii)](iii) of this regulation and shall include in the request for approval the reason that the table specified in §B(1)(f)(i) *or* (ii) of this regulation is inappropriate.

(h) *For policies or group certificates issued before January 1, 2015, [The] the termination rates used in the computation of contract reserves for terminations due to other than mortality may not exceed:*

(i) (text unchanged)

(ii) For policy [year] years five and later, the lesser of 100 percent of the voluntary lapse rate used in the calculation of gross premiums and 4 percent.

(i) For policies or group certificates issued on or after January 1, 2015, the termination rates used in the computation of contract reserves for terminations due to other than mortality may not exceed:

(i) For policy year one, the lesser of 80 percent of the voluntary lapse rate used in the calculation of gross premiums and 6 percent;

(ii) For policy years two through four, the lesser of 80 percent of the voluntary lapse rate used in the calculation of gross premiums and 4 percent; and

(iii) For policy years five and later, the lesser of 100 percent of the voluntary lapse rate used in the calculation of gross premiums and 2 percent, except that for employer group long-term care insurance as defined in COMAR 31.14.02.02B(1), 3 percent shall be used in place of 2 percent.

(2) (text unchanged)

**.14 Reinsurance [Affect] Effect on Reserves.**

(text unchanged)