HOUSE BILL 1396

Unofficial Copy 2001 Regular Session
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By: **Delegate McHale**
Introduced and read first time: February 26, 2001
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

AN ACT concerning

Long-Term Care Insurance - Loss Ratios - Premium Increases

FOR the purpose of repealing certain provisions of law that relate to benefits under long-term care insurance policies or certificates being considered reasonable in relation to premiums if the expected loss ratio is a certain percentage and is calculated in a certain manner; clarifying that a carrier may impose a certain premium increase to policies or contracts of long-term care insurance under certain circumstances; and generally relating to loss ratios and premium increases for long-term care insurance.

BY repealing and reenacting, with amendments,
Article - Insurance
Section 18-115 and 18-116
Annotated Code of Maryland
(1997 Volume and 2000 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article - Insurance

18-115.

[(a) Benefits under a policy or certificate of long-term care insurance shall be considered reasonable in relation to premiums if the expected loss ratio is at least 60% and is calculated in a manner that provides for adequate reserving of the long-term care insurance risk.

(b)] In evaluating the expected and actual loss ratios, the Commissioner shall consider:

(1) the statistical credibility of incurred claims experience and earned premiums;

(2) the period for which rates are computed to provide coverage;

(3) experienced and projected trends;

(4) the concentration of experience within early policy duration;

(5) expected claim fluctuation;

(6) experienced refunds, adjustments, or dividends;

(7) renewability features;

(8) all appropriate expense factors;

(9) interest;

(10) the experimental nature of the coverage;

(11) policy reserves;

(12) the mix of business by risk classification; and

(13) product features, including long elimination periods, high deductibles, and high maximum limits.

18-116.

(a) Except as provided in subsection (b) of this section, a premium increase under long-term care insurance may not be based on the age of the insured or certificate holder.

(b) A carrier may impose an across-the-board premium increase to [all] policies or contracts of long-term care insurance that the carrier issues or delivers in the State:

(1) submits to the Commissioner an actuarial memorandum that supports the proposed premium increase; and

(2) obtains the approval of the Commissioner.

(c) This section does not prohibit age-banding.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2001.