HB 1396

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 1396 (Delegate McHale)
Economic Matters Finance

Long-Term Care Insurance - Loss Ratios - Premium Increases

This bill repeals a current law provision requiring a long-term care insurance policy's loss ratio to be at least 60% and be calculated in a manner that provides for adequate reserving of the long-term care insurance risk.

Fiscal Summary

State Effect: The bill would not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A long-term care insurance policy sold in Maryland must have a loss ratio of at least 60% to be considered "reasonable." The Maryland Insurance Administration (MIA) has the authority to set loss ratio standards for long-term care insurance policies. MIA's current regulations have a 60% loss ratio requirement.

Background: The bill allows MIA to adopt the National Association of Insurance Commissioners (NAIC) model regulations on rate stabilization for long-term care contracts. The NAIC model regulations permit a loss ratio lower than 60% for new long-term care contracts. If insurers want to raise rates, they must prove an 85% loss ratio. The intent of the NAIC model regulations is to reduce the number of occasions when consumers purchase long-term care contracts and then are forced to terminate them several years later due to huge rate increases.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Health and Mental Hygiene (Health Services Cost Review Commission, Maryland Health Care Commission), Department of Legislative Services

Fiscal Note History: First Reader – March 12 2001
ncs/cer Revised – House Third Reader – March 27, 2001

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