

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1091 (Chairman, Health and Government Operations Committee)
(By Request – Departmental – Insurance Administration, Maryland)
Health and Government Operations Finance

Health Insurance - Prohibition Against Reunderwriting

This emergency departmental bill prohibits a health insurer, nonprofit health service plan, or HMO (carrier) from reunderwriting an individual for health coverage after the individual contract has been issued. “Reunderwrite” means to reevaluate any health status-related factor, occupation, hobby, or activity of any individual for the purpose of terminating health coverage or moving the individual to a less-favorable rate class. It does not include: (1) moving an individual from one rate tier to another rate tier solely due to the addition or deletion of a family member under the health coverage; (2) increasing the premium under an attained-age rate; (3) when an application is received from an enrollee to increase the benefits under an existing contract, evaluating health status-related factors, occupation, hobbies, or activities for the purpose of increasing benefits; or (4) under specified circumstances, modifying a policy due to material misrepresentation or fraud.

Fiscal Summary

State Effect: None. The bill codifies current practice.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. The attached assessment does not reflect amendments to the bill.

Analysis

Current Law: Carriers may underwrite policies written in the individual market. There are no prohibitions against reunderwriting, although MIA does not permit the practice.

Background: Underwriting is the process by which carriers assess the risk associated with insuring an individual. MIA believes that once a carrier has made the determination to insure an individual, the individual should not be subjected to reunderwriting each time a policy renews. Under the bill, carriers would still be permitted to make appropriate adjustments to rates based on the addition or deletion of a family member to a policy, the attained age of the enrollee, or a request to increase benefits under the policy.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Maryland Health Care Commission, Medicaid), Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2005
mll/jr Revised - Enrolled Bill - April 20, 2005

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