HB 584

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 584 (Delegate Goldwater, *et al.*)
Health and Government Operations

Long-Term Care Insurance - Premium Increase - Refund of Premiums Paid

---

This bill specifies that if a long-term care insurer chooses to raise the premium for a long-term care insurance policy, the insured may surrender the policy for cancellation and on written notice of the surrender, is entitled to a refund of all money paid in premiums under the policy but not used by the policyholder.

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the $125 rate and form filing fee in FY 2007 only. Potential minimal MIA special fund expenditure increase from increased premium rate reviews, policy and rider reviews, and additional complaints, beginning in FY 2007.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A carrier may not increase long-term care insurance premiums based on the age of the insured, unless a carrier imposes an across-the-board premium increase on all long-term care policies or contracts that the carrier issues in the State.

Background: Long-term care typically provides for the medical, social, personal, and supportive services needed by people who have lost some capacity for self-care because of a chronic illness or condition. This includes services provided by nursing homes, hospices, and at-home care but does not include medical care for acute conditions. The population of long-term care recipients includes: (1) the elderly; (2) the functionally and developmentally disabled; and (3) individuals suffering from mental disorders such as dementia and Alzheimer's.

Long-term care policies may offer a nonforfeiture clause. Under such a clause, if a person must cancel a policy, the person can recoup money invested. If a person cancels a policy after a specified number of years, the carrier will either return a percentage of the premiums paid; extend benefits for a period of time equal to the premiums paid, less any claims; or provide a greatly reduced benefit. The addition of this type of nonforfeiture provision could increase premiums as much as 30%.

State Fiscal Effect: MIA special fund expenditures could increase in fiscal 2007. Carriers would be required to file new policies and riders to comply with the bill, which would be reviewed and approved by the MIA's Life and Health section. The premium rates for all long-term care policies would also be revised and reviewed by the Actuarial section. There are insufficient data to reliably estimate how many policies would be reviewed by MIA. Currently, 31 carriers are authorized to sell long-term care insurance policies in Maryland.

Additional Comments: Individuals who purchase long-term care insurance after the bill's effective date could be required to pay much higher premiums after carriers adjust premium rates upward to account for current policies that may get cashed out.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 9, 2006
mam/jr

Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510