

HOUSE BILL 272

C3

8lr0044

By: **Chair, Health and Government Operations Committee (By Request –
Departmental – Insurance Administration, Maryland)**

Introduced and read first time: January 23, 2008

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Medical Stop-Loss Insurance**

3 FOR the purpose of providing that certain provisions of law relating to surplus lines
4 insurance do not apply to medical stop-loss insurance; authorizing medical
5 stop-loss insurance to be sold, issued, or delivered in the State only by certain
6 carriers that hold certain certificates of authority; prohibiting medical stop-loss
7 insurers from issuing, delivering, or offering policies of medical stop-loss
8 insurance if the policies have certain attachment points below certain amounts;
9 making medical stop-loss insurers subject to certain sanctions under certain
10 circumstances; providing for the interpretation of certain provisions of this Act;
11 defining certain terms; making certain conforming changes; and generally
12 relating to medical stop-loss insurance and the regulation of medical stop-loss
13 insurers.

14 BY repealing and reenacting, with amendments,
15 Article – Insurance
16 Section 3-302(a)
17 Annotated Code of Maryland
18 (2003 Replacement Volume and 2007 Supplement)

19 BY repealing and reenacting, with amendments,
20 Article – Insurance
21 Section 15-129
22 Annotated Code of Maryland
23 (2006 Replacement Volume and 2007 Supplement)

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

26 **Article – Insurance**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 3–302.

2 (a) This subtitle does not apply to:

3 (1) life insurance;

4 (2) health insurance;

5 (3) annuities;

6 (4) reinsurance;

7 (5) wet marine and transportation insurance, except as provided in
8 subsection (b) of this section;

9 (6) insurance on a subject that is located, resident, or to be performed
10 wholly outside the State;

11 (7) insurance on vehicles or aircraft owned and principally garaged
12 outside the State;

13 (8) insurance on property or operation of railroads engaged in
14 interstate commerce; [or]

15 (9) insurance:

16 (i) on aircraft owned or operated by aircraft manufacturers or
17 operated in scheduled interstate flight;

18 (ii) on cargo of the aircraft described in subitem (i) of this item;
19 or

20 (iii) against liability arising out of the ownership, maintenance,
21 or use of the aircraft described in subitem (i) of this item, other than workers'
22 compensation or employer's liability; **OR**

23 **(10) MEDICAL STOP–LOSS INSURANCE, AS DEFINED IN § 15–129 OF**
24 **THIS ARTICLE.**

25 15–129.

26 (a) (1) In this section the following words have the meanings indicated.

27 (2) “Aggregate attachment point” means the percentage of expected
28 claims in a policy year above which the **MEDICAL** stop–loss insurer assumes all or
29 part of the liability for losses incurred by the insured.

1 (3) **“CARRIER” MEANS:**

2 (I) **AN INSURER; OR**

3 (II) **A NONPROFIT HEALTH SERVICE PLAN.**

4 [(3)] (4) **“Expected claims” means the amount of claims that, in the**
5 **absence of MEDICAL stop-loss insurance, are projected to be incurred by the insured**
6 **using reasonable and accepted actuarial principles.**

7 (5) **“MEDICAL STOP-LOSS INSURANCE” MEANS INSURANCE,**
8 **OTHER THAN REINSURANCE, THAT IS PURCHASED BY A PERSON, OTHER THAN A**
9 **CARRIER OR A HEALTH CARE PROVIDER, TO PROTECT THE PERSON AGAINST**
10 **CATASTROPHIC, EXCESS, OR UNEXPECTED LOSSES INCURRED BY THAT**
11 **PERSON’S OBLIGATIONS TO THIRD PARTIES UNDER THE TERMS OF A HEALTH**
12 **BENEFIT PLAN.**

13 (6) **“MEDICAL STOP-LOSS INSURER” MEANS A CARRIER THAT IS**
14 **AUTHORIZED TO SELL, ISSUE, AND DELIVER POLICIES OF MEDICAL STOP-LOSS**
15 **INSURANCE IN THE STATE.**

16 [(4)] (7) **“Specific attachment point” means the dollar amount in**
17 **losses attributable to a single individual in a policy year beyond which the MEDICAL**
18 **stop-loss insurer assumes all or part of the liability for losses incurred by the insured.**

19 (5) **“Stop-loss insurance” means insurance that is purchased by a**
20 **person, other than a health care provider, to protect the person against catastrophic,**
21 **excess, or unexpected losses sustained by the person.]**

22 (b) This section applies to each **MEDICAL STOP-LOSS INSURER AND EACH**
23 **MEDICAL stop-loss insurance policy or contract that is delivered or issued for delivery**
24 **in the State.**

25 (c) **MEDICAL STOP-LOSS INSURANCE MAY ONLY BE SOLD, ISSUED, OR**
26 **DELIVERED IN THE STATE BY A CARRIER THAT HOLDS A CERTIFICATE OF**
27 **AUTHORITY ISSUED BY THE COMMISSIONER THAT AUTHORIZES THE CARRIER**
28 **TO ENGAGE IN THE BUSINESS OF HEALTH INSURANCE OR TO ACT AS A**
29 **NONPROFIT HEALTH SERVICE PLAN.**

30 [(c)] (D) [An] **A MEDICAL STOP-LOSS insurer may not issue, deliver, or**
31 **offer a policy or contract of MEDICAL stop-loss insurance, if the policy has:**

32 (1) a specific attachment point of less than \$10,000; or

1 (2) an aggregate attachment point of less than 115% of expected
2 claims.

3 [(d)] (E) [An] **A MEDICAL STOP-LOSS** insurer who offers or issues a
4 **MEDICAL** stop-loss insurance policy that does not meet the requirements of this
5 section shall be subject to the sanctions set forth in § 4-113 of this article for
6 authorized insurers and § 4-212 of this article for unauthorized insurers.

7 [(e)] (F) Nothing in this section shall be construed as:

8 (1) imposing any requirement or duty on any person other than [an
9 insurer] **A CARRIER**; or

10 (2) treating any **MEDICAL** stop-loss **INSURANCE** policy as a [direct]
11 policy of **INDIVIDUAL, GROUP, OR BLANKET** health insurance **COVERING THE**
12 **PARTICIPANTS IN THE UNDERLYING HEALTH BENEFIT PLAN.**

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 June 1, 2008.