

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

Committee Report: Favorable

House action: Adopted

Read second time: February 27, 2008

CHAPTER _____

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)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

3 **Article – Insurance**

4 3–302.

5 (a) This subtitle does not apply to:

6 (1) life insurance;

7 (2) health insurance;

8 (3) annuities;

9 (4) reinsurance;

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

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

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

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

18 (9) insurance:

19 (i) on aircraft owned or operated by aircraft manufacturers or
20 operated in scheduled interstate flight;

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

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

26 **(10) MEDICAL STOP-LOSS INSURANCE, AS DEFINED IN § 15-129 OF**
27 **THIS ARTICLE.**

28 15–129.

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

2 (2) "Aggregate attachment point" means the percentage of expected
3 claims in a policy year above which the **MEDICAL** stop-loss insurer assumes all or
4 part of the liability for losses incurred by the insured.

5 (3) **"CARRIER" MEANS:**

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

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

8 [(3)] (4) "Expected claims" means the amount of claims that, in the
9 absence of **MEDICAL** stop-loss insurance, are projected to be incurred by the insured
10 using reasonable and accepted actuarial principles.

11 (5) **"MEDICAL STOP-LOSS INSURANCE" MEANS INSURANCE,
12 OTHER THAN REINSURANCE, THAT IS PURCHASED BY A PERSON, OTHER THAN A
13 CARRIER OR A HEALTH CARE PROVIDER, TO PROTECT THE PERSON AGAINST
14 CATASTROPHIC, EXCESS, OR UNEXPECTED LOSSES INCURRED BY THAT
15 PERSON'S OBLIGATIONS TO THIRD PARTIES UNDER THE TERMS OF A HEALTH
16 BENEFIT PLAN.**

17 (6) **"MEDICAL STOP-LOSS INSURER" MEANS A CARRIER THAT IS
18 AUTHORIZED TO SELL, ISSUE, AND DELIVER POLICIES OF MEDICAL STOP-LOSS
19 INSURANCE IN THE STATE.**

20 [(4)] (7) "Specific attachment point" means the dollar amount in
21 losses attributable to a single individual in a policy year beyond which the **MEDICAL**
22 stop-loss insurer assumes all or part of the liability for losses incurred by the insured.

23 [(5) "Stop-loss insurance" means insurance that is purchased by a
24 person, other than a health care provider, to protect the person against catastrophic,
25 excess, or unexpected losses sustained by the person.]

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

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

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

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

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

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

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

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

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

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.