

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 272 (Chair, Health and Government Operations Committee)
(By Request – Departmental – Insurance Administration, Maryland)

Health and Government Operations

Finance

Medical Stop-Loss Insurance

This departmental bill • replaces the definition of “stop-loss insurance” with “medical stop-loss insurance;” • prohibits medical stop-loss insurance from being sold on the surplus lines market; • prohibits the sale of medical stop-loss insurance by unauthorized carriers; and • clarifies guidelines for the sale of medical stop-loss insurance.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: None. The bill clarifies and codifies existing policy.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that the bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: “Medical stop-loss insurance” means insurance purchased by a person other than a carrier or provider to protect the person against catastrophic, excess, or unexpected losses incurred by that person’s obligations to third parties under the terms of a health benefit plan.

Medical stop-loss insurance may only be sold, issued, or delivered in the State by a carrier that holds a certificate of authority issued by the Insurance Commissioner that authorizes the insurer to engage in the business of health insurance or to act as a nonprofit health service plan.

Nothing in the bill can be construed to treat any medical stop-loss insurance policy as a policy of individual, group, or blanket health insurance covering the participants in the underlying health benefit plan.

Current Law: “Stop-loss insurance” means insurance that is purchased by a person, other than a health care provider, to protect the person against catastrophic, excess, or unexpected losses sustained by the person. Stop-loss insurers are prohibited from issuing, delivering, or offering a policy or contract with a specific attachment point of less than \$10,000 or an aggregate attachment point of less than 115% of expected claims.

Surplus line carriers are subject to only limited regulation by MIA, which does not include prior approval of rates. Although health insurance may not be sold on the surplus lines market, there is no specific prohibition against the sale of stop-loss insurance.

Background: According to MIA, stop-loss insurance is intended to be a type of health insurance and as such should not be purchased on the surplus lines market. Without a prohibition against such sale, stop-loss insurance could be sold by companies that, while authorized to sell property and casualty coverage in Maryland, are not regulated or licensed to sell health insurance in the State.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/ljm

Analysis by: Jennifer B. Chasse

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