HB 59

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 59 (Delegate Jackson)
Health and Government Operations

Long-Term Care Insurance - Premium Rates - Limitation

This bill prohibits a carrier from imposing a premium rate increase for a long-term care policy or contract that exceeds 20% within a 12-month period. The bill applies to all policies, contracts, or certificates of long-term care insurance issued, delivered, or in effect in the State and rate filings submitted to the Insurance Commissioner on or after October 1, 2018.

Fiscal Summary

State Effect: No material impact. The Maryland Insurance Administration (MIA) currently reviews and approves long-term care insurance rate filings to ensure that a premium rate increase of no more than 15% is imposed within a 12-month period, with specified exceptions.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 672 of 2017 prohibits a carrier from charging a premium to an insured under a long-term care policy or contract or changing the premium charged before the premium rate or rate change has been filed with and approved by the Commissioner. The Commissioner must provide specified information about long-term care insurance premium rates on the MIA website.

The Commissioner must disapprove or modify a proposed premium rate filing if, based on actuarial analysis and reasonable assumptions, the rate appears to be inadequate, unfairly discriminatory, or excessive in relation to benefits. In determining whether to disapprove or modify a premium rate filing, the Commissioner must consider (1) past and prospective loss experience inside and outside of the State; (2) underwriting practice and judgment; (3) a reasonable margin for reserve needs; (4) past and prospective expenses, nationally and in Maryland; and (5) any other relevant factors. Each decision or finding of the Commissioner about premium rates is subject to judicial review.

Although there is no rate cap in statute, under Maryland regulations, a carrier may not raise long-term care insurance premiums by more than 15% in any 12-month period. However, an increase can be in excess of 15% if the carrier demonstrates that the utilization of policy benefits is greatly in excess of the expected rate.

Background: According to MIA, approximately 150,000 Marylanders are covered by long-term care insurance. Twenty-one carriers are authorized to sell approved individual long-term care insurance policies in Maryland.

Additional Information: As originally introduced, House Bill 493 of 2017 (Chapter 672 of 2017) would have prohibited a carrier from (1) within any 10-year period of coverage, increasing the premium rate by more than 50% of the initial premium rate for that period or (2) imposing a premium rate increase that exceeds 15% within a 12-month period.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration; Department of Legislative Services

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Analysis by: Jennifer B. Chasse

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