SB 474

Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 474 (Senator Kramer)
Finance

Long-Term Care Insurance - Premium Rate Increases - Restriction (Equity in Long-Term Care Insurance Premiums Act)

This bill prohibits a carrier from imposing a premium rate increase for a policy or contract of long-term care insurance in a year in which the carrier (or any entity with which the carrier is affiliated) pays (1) a dividend (or comparable payment) to its shareholders or (2) a bonus or benefit to any of the executive officers of the carrier (or any entity with which the carrier is affiliated) that is in addition to contractually fixed compensation. 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, 2019.

Fiscal Summary

State Effect: Any change in State activities does not materially affect State finances.

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 Maryland Insurance Administration (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.

A carrier must provide a one-time written notice at the time the policy or contract is issued that an insured may access information about proposed rate increases on the MIA website.

Background: According to the National Association of Insurance Commissioners, 144,434 Marylanders were covered by long-term care insurance in 2017. MIA indicates that 13 carriers are authorized to sell approved individual long-term care insurance policies in Maryland, but not all may be actively selling new policies.

Additional Comments: MIA advises that, while it must consider the past and prospective loss experience of the carrier in conducting a rate review, it does not review any affiliates of the carrier, which may or may not be selling long-term care insurance.

Additional Information

Prior Introductions: HB 945 of 2018 received a hearing in the House Health and Government Operations Committee but was withdrawn.

Cross File: None.

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

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