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Chair, Insurance and Pharmaceuticals  
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## THE MARYLAND HOUSE OF DELEGATES

ANNAPOLIS, MARYLAND 21401

### **Testimony in Support of HB 141 Life and Health Insurance Guaranty Corporation Act, Revisions**

Good afternoon, Chairman Pendergrass, Vice Chairman Peña-Melnyk and honorable members of the committee. Thank you for this opportunity to present HB 141, **Life and Health Insurance Guaranty Corporation Act, Revisions**.

The insurance guaranty system in Maryland and across the country is a critical safety net to protect our citizens when insurance companies become insolvent and can no longer pay their claims. When that happens, the guaranty association in Maryland steps into the shoes of the insolvent insurer and pays claims for it. The guaranty association does this by assessing the other insurers in the market and uses those funds to make claims payments.

There are two problems with the guaranty association system, here in Maryland and across the country that it are critical to fix immediately. The first problem is that there is *ZERO* guaranty association coverage or protection for consumers of HMOs. We learned this first-hand when Evergreen, an HMO right here in Maryland became insolvent. While eventually the claims of doctors, hospitals and pharmacies were paid, it was only because of the nimble and proactive approach the Maryland Insurance Administration and Commissioner Redmer took to make people whole. Still, it was a very difficult process and consumers were put at risk. Consumers who buy HMO products should have exactly the same protections as consumers who buy commercial insurance products. There is no real difference to a consumer in the health policies being sold so there should be no difference in the protection that those consumers should get. The second problem in Maryland is that when a company that writes long-term care insurance becomes insolvent, like Penn Treaty did a few years back, only companies that write health insurance are assessed to pay the claims. This is unjust, because it is primarily life insurance companies that write long-term care insurance. They should share more of the burden for these assessments than they do now and why they are here to today to advocate for this bill.

The National Association of Insurance Commissioners (NAIC) dealt with both these issues, when it made changes to the model guaranty association legislation. The health insurance industry and the life insurance industry met together before and during that process and agreed that the life insurance industry would voluntarily assume half the burden of future long-term care insolvencies. We should commend them for that. They recognized that in future insolvencies, the whole life and health industry should get together and protect our senior citizens who need their long-term care insurance. Without the whole industry involvement, we could possibly not have enough capacity to pay all outstanding claims. That puts our citizens at risk. It is critical that we make these changes *before* there is a crisis.

We should adopt the changes that the NAIC made to the guaranty association model to shore up the guaranty association system here in Maryland. Senate Bill 186 does just that. It protects all Marylanders, not just some, and it splits the cost of a long-term care insolvency between the life and health insurance industries, to help relieve the massive burden this could place on our health insurers.

27 states have already made these changes to their state laws. We need to do the same thing, and we need to do it now.

Thank you very much for your consideration and I respectfully request a favorable report.