

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 803

(Delegate Rosenberg, *et al.*)

Health and Government Operations

Finance

Life Insurance - Freedom to Travel Act

This bill prohibits insurers of life insurance from (1) refusing to insure; (2) refusing to continue to insure; (3) limiting the amount, extent, or kind of coverage available; or (4) charging a different rate for the same coverage *solely* for reasons associated with an applicant's or insured's future lawful travel plans, unless specified conditions are met. The bill also clarifies that the same existing discrimination prohibitions related to past lawful travel experiences apply only to life insurance contracts.

Fiscal Summary

State Effect: Minimal increase in Maryland Insurance Administration (MIA) special fund revenues in FY 2017 due to \$125 form filings. Review of the filings can be handled with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: For life insurance policies, an insurer may not (1) refuse to insure; (2) refuse to continue to insure; (3) limit the amount, extent, or kind of coverage available; or (4) charge a different rate for the same coverage *solely* for reasons associated with an applicant's or insured's future lawful travel plans, unless bona fide differences in risk or exposure have been substantiated by the use of relevant data from at least one independent reliable source. Travel advisories issued by the U.S. Department of State may not be the sole source of data used to make such a determination. An insurer must maintain the data and documents that support its determination that differences in risk or exposure exist and

make the data and documents available if requested to do so by the Insurance Commissioner.

Current Law: State law prohibits the following unfair discriminatory practices for life insurance and annuity contracts.

- A person may not make or allow unfair discrimination between individuals in the same risk class and with an equal life expectancy in charged rates, dividends, or other payable benefits, or any of the other terms or conditions.
- An insurer may not make or allow a differential in ratings, premium payments, or dividends based on blindness or other physical handicap or disability of an applicant or policyholder. However, actuarial justification for a differential may be considered for a physical handicap other than blindness or hearing impairment.
- Unless there is actuarial justification, an insurer may not refuse to insure or make or allow a differential in ratings, premium payments, or dividends solely because the applicant or policyholder has (1) the sickle-cell trait; (2) the thalassemia-minor trait; (3) the hemoglobin C trait; (4) the Tay-Sachs trait; or (5) a genetic trait that is harmless in itself.
- An insurer may not refuse to insure; refuse to continue to insure; limit the amount, extent, or kind of coverage available; or charge a different rate for the same coverage *solely* for reasons associated with an applicant's or insured's *past* lawful travel experiences.

Background: In 2008, the National Association of Insurance Commissioners updated and released model legislation related to unfair trade practices in the insurance industry, including life insurance. Known as the "Unfair Trade Practices Act," the model legislation provides language that can be adopted by states. The bill's language is generally based on this model legislation, as it was amended and enacted by Colorado in 2015.

The U.S. Department of State issues "travel alerts" for short-term events that citizens should know about when they are planning to travel to a country (such as health outbreaks or controversial election seasons), and it issues "travel warnings" for more serious or long-term situations (such as civil war or frequent terrorist activity).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, U.S. Department of State,
Department of Legislative Services

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