

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 983 (Delegate Kramer, *et al.*)
Health and Government Operations

Long-Term Care Insurance - Limitation on Renewal Premium Rate Increases

This bill prohibits a carrier, in calendar years 2019 through 2021, from imposing an annual increase of a renewal premium rate that exceeds 5% for a policy or contract of long-term care insurance issued, delivered, or renewed in the State on or after January 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 MIA, as of December 2017, approximately 134,000 Marylanders are covered by long-term care insurance. While 19 carriers have approved long-term care insurance policies in Maryland, only a few remain open for business.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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