

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
First Reader

Senate Bill 176
Finance

(Senators Manno and Smith)

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

This bill prohibits a carrier, in calendar years 2017 through 2019, from increasing a renewal premium rate for a long-term care insurance policy or contract issued, delivered, or renewed in the State on or after June 1, 2017.

The bill takes effect June 1, 2017.

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: A carrier may impose an across-the-board premium increase on policies and contracts of long-term care insurance after the carrier's actuarial memorandum in support of the proposed premium increase has been approved by the Insurance Commissioner. Under *Code of Maryland Regulations* 31.14.01.04, except under exceptional circumstances, a carrier may not raise long-term care insurance premiums by more than 15% in any 12-month period.

Per Bulletin 17-01, effective January 3, 2017, a carrier that files a rate increase must attend a public rate hearing before a decision is made on the request. The corresponding actuarial

memorandum will be posted to the Maryland Insurance Administration (MIA) website for public review, along with information pertaining to any such rate hearings.

MIA published proposed regulations in the December 23, 2016 issue of the *Maryland Register* (scheduled to take effect February 7, 2017) that update long-term care insurance regulations to reflect changes to the National Association of Insurance Commissioners' Long-Term Care Model Regulation. Among other things, the regulations require carriers to submit an annual actuarial certification regarding the sufficiency of the current premium rate structure (in order to encourage carriers to file rate increases when needed rather than delay and necessitate larger rate increases later) and strengthen consumer disclosure requirements at the time of rate increases.

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 (although they may or may not be currently selling them). Consumers and other stakeholders have expressed concerns with large premium rate increases. MIA advises that when long-term care insurance policies were initially introduced across the country in the late 1970s and early 1980s, they were the first of their kind. Insurance companies had no prior data from which to draw assumptions and make predictions about how the insurance market would behave 30 to 40 years into the future. MIA reports that many of these assumptions and predictions were inaccurate and resulted in companies being unable to price the long-term care insurance products appropriately. As a result, long-term care insurers are now raising premiums to ensure that they will be sufficient to pay future claims.

In 2016, the Insurance Commissioner convened a Workgroup on Long-Term Care Insurance to study the issues associated with the current state of the long-term care marketplace in Maryland. The workgroup met four times in 2016 and discussed ways to establish transparency for consumers during the rate review process, the 15% cap on rate increases, ways to improve communications between carriers and policyholders, and the long-term care tax credit.

Additional Comments: MIA advises that prohibiting rate increases may adversely affect carriers' ability to remain adequately funded to pay future claims, particularly for guaranteed renewable policies that rely on premium rate increases to remain financially solvent. Furthermore, carriers may need to make dramatic rate increases beginning in calendar 2020 once the moratorium ends or potentially withdraw from Maryland.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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