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An Act To Create Improved Consumer Protection against Long-term Care Insurance Premium Rate Increases

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 24-A MRSA §5053-A is enacted to read:

§ 5053-A. Rating standards; premium rate increases

The following requirements apply to the rating practices for a long-term care policy.

1. Maximum annual increase. A long-term care policy premium rate increase in any one year may not exceed 25%.

2. Premium rate increases; limits by age. Except as provided in subsections 3 and 4, a long-term care policy may not increase the premium rate to a level that results in a cumulative increase of the annual premium equal to or exceeding the percentage of the insured's initial annual premium set forth in this subsection based on the insured's age:

A. For a long-term care policy issued to an insured under 61 years of age, the premium rate increase may not exceed 50%;

B. For a long-term care policy issued to an insured 61 years of age or older and under 71 years of age, the premium rate increase may not exceed 40%;

C. For a long-term care policy issued to an insured 71 years of age or older and under 76 years of age, the premium rate increase may not exceed 30%;

D. For a long-term care policy issued to an insured 76 years of age or older and under 81 years of age, the premium rate increase may not exceed 25%;

E. For a long-term care policy issued to an insured 81 years of age or older and under 86 years of age, the premium rate increase may not exceed 20%; and

F. For a long-term care policy issued to an insured 86 years of age or older, the premium rate may not increase.

3. Maximum lifetime limit. During the lifetime of an insured, a long-term care policy may not increase the premium rate to a level that results in a cumulative increase of the annual premium equal to or exceeding 75% of the insured's initial annual premium.

4. Timing of increase. A long-term care policy may not impose premium rate increases over any 5-year period that in the aggregate exceed the limitations set forth in subsection 2.

5. Applicability. This section applies to any long-term care policy in force in this State on or after the effective date of this section.

Sec. 2. 24-A MRSA §5075, sub-§8 is enacted to read:

8. Rating standards; premium rate increases. The following requirements apply to the rating practices for a long-term care insurance policy.

A. A long-term care insurance policy premium rate increase in any one year may not exceed 25%.

B. Except as provided in paragraphs C and D, a long-term care insurance policy may not increase the premium rate to a level that results in a cumulative increase of the annual premium equal to or exceeding the percentage of the insured's initial annual premium set forth in this subsection based on the insured's age:

(1) For a long-term care insurance policy issued to an insured under 61 years of age, the premium rate increase may not exceed 50%;

(2) For a long-term care insurance policy issued to an insured 61 years of age or older and under 71 years of age, the premium rate increase may not exceed 40%;

(3) For a long-term care insurance policy issued to an insured 71 years of age or older and under 76 years of age, the premium rate increase may not exceed 30%;

(4) For a long-term care insurance policy issued to an insured 76 years of age or older and under 81 years of age, the premium rate increase may not exceed 25%;

(5) For a long-term care insurance policy issued to an insured 81 years of age or older and under 86 years of age, the premium rate increase may not exceed 20%; and

(6) For a long-term care insurance policy issued to an insured 86 years of age or older, the premium rate may not increase.

C. During the lifetime of an insured, a long-term care insurance policy may not increase the premium rate to a level that results in a cumulative increase of the annual premium equal to or exceeding 75% of the insured's initial annual premium.

D. A long-term care insurance policy may not impose premium rate increases over any 5-year period that in the aggregate exceed the limitations set forth in paragraph B.

E. For any long-term care insurance policy issued on or after the effective date of this subsection, the long-term care insurance policy must prominently disclose on the face of the policy a statement that premium rates are not guaranteed, a description of the limits on premium rate increases set forth in this subsection and a statement that any change in premium rates must be approved by the superintendent.

F. This subsection applies to any long-term care insurance policy in force in this State on or after the effective date of this subsection.

Sec. 3. 24-A MRSA §5078, as amended by PL 2007, c. 232, §2, is further amended to read:

§ 5078. Rulemaking

The superintendent shall adopt rules to promote premium adequacy, to protect a policyholder and a certificate holder in the event of substantial rate increases in accordance with section 5075, subsection 8 and to establish minimum standards for marketing practices, insurance producer compensation, insurance producer education, insurance producer testing, penalties and reporting practices for long-term care insurance. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

Sec. 4. Notice. Within 30 days of the enactment of this Act, any life or health insurer, fraternal benefit society, nonprofit hospital and medical service organization, nonprofit health care service organization, prepaid health plan organization, health maintenance organization or other similar organization that has issued a long-term care insurance policy to a policyholder in this State shall provide a copy of this Act and a summary of its requirements to the policyholder at the policyholder's last known address.

SUMMARY

This bill establishes restrictions on premium rate increases for long-term care insurance policies.

1. It limits the maximum increase in any one year to 25%.
2. It limits premium rates from increasing to a level that results in a cumulative increase of the annual premium exceeding a certain percentage of the insured's initial annual premium based on the insured's age.
3. It restricts the cumulative premium increase over the lifetime of a policyholder to 75%.
4. It restricts premium increases over a 5-year period that in the aggregate exceed the limitations based on age.

The bill also requires a long-term care insurance policy issued on or after the effective date of the bill to prominently disclose on the face of the policy a statement that premiums are not guaranteed, a description of the limits on increases established in the bill and a statement that changes in premium rates must be approved by the Superintendent of Insurance. Finally, the bill requires insurers and other entities that have issued long-term care insurance policies to policyholders in this State to provide written notice of the enactment of the bill, including a summary of the provisions and a copy of the law, to the policyholders within 30 days of its enactment.