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ASSOCIATE COMMISSIONER
LIFE & HEALTH

STATE OF MARYLAND
MARYLAND INSURANCE ADMINISTRATION
525 ST. PAUL PLACE, BALTIMORE, MARYLAND 21202-2272
WRITER'S DIRECT DIAL: 410-468-2201
Facsimile Number: 410-468-2204
e-mail : wtaparanskas@mdinsurance.state.md.us

BULLETIN

**To: Compliance Director
Insurance Companies With Approved Long-Term Care Contracts**

Re: Notice of Amended Long-Term Care Insurance Regulations

Date: April 12, 2002

Bulletin: Life and Health 02-10

The purpose of this bulletin is to notify insurers of the adoption of amendments to Maryland's long-term care regulations. The regulations were revised to bring the Maryland long-term care insurance regulations into compliance with the National Association of Insurance Commissioner's (NAIC) Long-Term Care Insurance Model Regulations and with Maryland law.

The amendments to the regulations (COMAR 31.14.01 and COMAR 31.14.02) were proposed in the Maryland Register on December 14, 2001. Notice of final adoption was published in the Maryland Register March 22, 2002, with an effective date of April 1, 2002. The regulations can be viewed at the Department of State Documents website at www.dsd.state.md.us.

The *major* changes to the Maryland long-term care insurance regulations, which affect contract approval, rate review or actions required by insurers, are summarized below. All amendments become effective **April 1, 2002**, unless otherwise specified.

PLEASE NOTE THAT THE PURPOSE OF THIS BULLETIN IS TO HELP INSURERS COMPLY WITH THE CHANGES TO MARYLAND REGULATIONS. THE MARYLAND INSURANCE ADMINISTRATION EXPECTS EACH INSURER TO REVIEW THE COMPLETE TEXT OF THE AMENDED REGULATIONS TO DETERMINE THE INSURER'S RESPONSIBILITIES UNDER THESE REGULATIONS.

COMAR 31.14.01 Long-Term Care Insurance

- Regulation .04K--Electronic Enrollment for Group Policies--The regulation permits electronic enrollment for employer group policies and follows the NAIC Model Regulation.

- Regulation .05D--Disclosure of tax consequences for life insurance policies or riders that accelerate the death benefit for long term care.
- Regulation .07C--Required use of specific waiver text if the applicant rejects the option to name additional individuals to receive notice of nonpayment of premium.
- Regulation .07D--Required notice to insured at least once every two years of the right to change the individual designated to receive notice of nonpayment of premium.
- Regulation .07G--New reinstatement provision required if insured was cognitively impaired or had a loss of functional capacity. This requirement previously applied only to qualified long-term care insurance contracts.
- Regulation .09C--New annual filing requirement for the Rescission Report. The first report is due **March 1, 2003**.
- Regulation .12J-- Required use of specific waiver text if the applicant rejects the inflation protection option.
- Regulation .13H--New contingent benefit upon lapse requirement. This portion of the regulation becomes effective **April 1, 2003**. Amendment riders can be used to provide this new benefit.
- Regulation .15B--Provides the Commissioner 30 days to review long-term care insurance advertising.
- Regulation .16A--Requires insurers to provide the following disclosure forms to applicants:
 - Long-Term Care Insurance Personal Worksheet--Except for certificates issued under an employer group contract that was issued before April 1, 2002, applies to policies or certificates issued on or after **October 1, 2002**.
 - Potential Rate Increase Disclosure Form--Except for certificates issued under an employer group contract that was issued before April 1, 2002, applies to policies or certificates issued on or after **October 1, 2002**.
 - Explanation of contingent benefit upon lapse--Except for certificates issued under an employer group contract that was issued before April 1, 2003, applies to policies or certificates issued on or after **April 1, 2003**.
- Regulation .16E--New filing requirements and disclosure requirements for insurers issuing association long-term care insurance.
- Regulation .24--Establishes the following new reporting requirements for insurers:
 - Ten percent of the insurer's insurance producers with greatest percentages of lapses and replacements. The first report is due **June 30, 2003**.

- Number of lapsed policies as a percent of total annual sales and as a percent of total number of policies in force as of the end of the preceding calendar year. The first report is due **June 30, 2003**.
 - Number or replacement policies sold as a percent of total annual sales and as a percent of total number of policies in force as of the preceding calendar year. The first report is due **June 30, 2003**.
 - For qualified long-term care insurance contracts, the number of claims denied for each class of business, expressed as a percentage of claims denied. The first report is due **June 30, 2003**.
- Regulation .25--New suitability standards that follow the NAIC Model Regulation.
 - Regulation .25F--Requires that the applicant be provided the *Things You Should Know Before You Buy Long-Term Care Insurance* disclosure form. Except for certificates issued under an employer group contract that was issued before April 1, 2002, this requirement applies to policies or certificates issued on or after **October 1, 2002**.
 - Regulation .25G--New procedure for insurers if applicant does not meet suitability standards, including the option to use the *Long-Term Care Suitability Letter*. Except for certificates issued under an employer group contract that was issued before April 1, 2002, applies to policies or certificates issued on or after **October 1, 2002**.
 - Regulation .25H--New annual report dealing with number of applications, number of applicants declining to provide information on the personal worksheet, number of applicants not meeting suitability standards, and number of applicants choosing to confirm after receiving a suitability letter. The first report is due **March 31, 2003**.
 - Regulation .26F--Requires all long-term care insurance policies to include a clear description of the process for appealing and resolving benefit determination. Except for certificates issued under an employer group contract that was issued before April 1, 2003, applies to policies or certificates issued on or after **April 1, 2003**.
 - Regulation .27--Adds standards for qualified long-term care insurance contracts and certificates.

COMAR 31.14.02 Long-Term Care Insurance--Premium Rates and Reserves

- Regulation .03--Adds new premium rate disclosure requirements that follow the NAIC Model Regulation. These requirements apply to long-term care insurance policies and certificates issued in Maryland on or after **October 1, 2002**, with the exception of certificates issued under an employer group policy that was in force on April 1, 2002. Certificates issued under an employer group policy are subject to this regulation on the first policy anniversary after **April 1, 2003**, if the group policy was in force on April 1, 2002.
- Regulation .04--Adds the new rate filing requirements for new long-term care contracts. It becomes effective **October 1, 2002** and will be applied as follows:

- If an insurer has received approval of a long-term care contract in Maryland and has sold that contract in Maryland prior to October 1, 2002, new rates for future sales of that contract are not required to be filed in accordance with the requirements of Regulation .04 until the insurer revises the premium rates.
 - If an insurer has received approval of a long-term care contract in Maryland, but has **not** sold that contract in Maryland prior to October 1, 2002, the insurer is required to file initial rates for the contract in accordance with the requirements of Regulation .04 before it can be sold to Maryland residents after October 1, 2002.
- Regulation .05--This regulation establishes loss ratio requirements for those long-term care policies or certificates that are not subject to Regulations .04 or .06.
 - Regulation .06--Establishes new requirements for premium rate increases. Applies to policies or certificates issued on or after **October 1, 2002**, with the exception of certificates issued under group long-term care insurance policies that are in force on April 1, 2002. Certificates issued under an employer group policy are subject to this regulation on the first policy anniversary after **April 1, 2003**, if the group policy was in force on April 1, 2002.
 - Regulation .07--Establishes new requirements for exceptional premium rate increases.
 - Regulations .10--.14--Establishes new reserve requirements for long-term care insurance.

If you have any questions regarding the filing of forms for approval, please call Brenda Wilson, Chief of Managed Care or Fern Thomas, Supervisor of the Health Review Unit at (410) 468-2170.

If you have any questions about the premium rates or reserve requirements of these regulations, please contact Elizabeth Hale at (410) 468-2041.

Wendy J. Taparanskas, Ph.D.
Associate Commissioner