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Legislative Document

No. 1479

S.P. 577

In Senate, December 18, 2015

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

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Received by the Secretary of the Senate on December 18, 2015. Referred to the Committee on Insurance and Financial Services pursuant to Joint Rule 308.2 and ordered printed.

A handwritten signature in cursive script, reading "Heather J.R. Priest".

HEATHER J.R. PRIEST
Secretary of the Senate

Presented by Senator LANGLEY of Hancock.
Cosponsored by Representative KUMIEGA of Deer Isle and
Senator: WOODSOME of York, Representatives: FECTION of Biddeford, GATTINE of
Westbrook, HUBBELL of Bar Harbor, MAKER of Calais, McCLELLAN of Raymond,
POULIOT of Augusta, TUELL of East Machias.

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

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

3 **§5053-A. Rating standards; premium rate increases**

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

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

7 **2. Premium rate increases; limits by age.** Except as provided in subsections 3 and
8 4, a long-term care policy may not increase the premium rate to a level that results in a
9 cumulative increase of the annual premium equal to or exceeding the percentage of the
10 insured's initial annual premium set forth in this subsection based on the insured's age:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 **§5078. Rulemaking**

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

