

## Bulletin 311

### INDIVIDUAL MEDICAL INSURANCE:

#### NOTICE OF RATE INCREASES AND RIGHT TO REQUEST HEARING

A recent law (P.L. 2001, c. 432), effective September 21, 2001, enacted Title 24-A M.R.S.A. §§ 2735-A and 2839-A, which require that insurers provide written notice to affected policyholders at least 60 days prior to the effective date of any rate filing for individual medical insurance or of any rate increase for group medical insurance. The purpose of this bulletin is to clarify the new requirements.

#### I. GROUP MEDICAL INSURANCE

Section 2839-A requires a minimum of 60 days written notice be given to affected policyholders prior to a rate increase for group medical insurance. It also requires disclosure of any rate increases that the insurer anticipates implementing within 90 days when quoting rates for new group business. If the quote is in writing, the disclosure must also be in writing. If the required disclosure is not provided, an increase may not be implemented until at least 90 days after the date the quote is provided. These requirements apply to both large and small groups. They do not apply to accidental injury, specified disease, hospital indemnity, disability income, Medicare supplement, long-term care or other limited benefit group health insurance.

#### II. INDIVIDUAL MEDICAL INSURANCE

##### Applicability

Section 2735-A applies only to medical coverage under individual policies and under association groups other than associations of employers. It does not apply to Medicare supplement, short-term medical, accident only, specified disease, dental, vision, hospital indemnity, long-term care, or disability income insurance. It does apply to Tricare (CHAMPUS) supplement coverage.

##### Filing of Notice

Individual rate filings should include a copy of the notice, as well as the date the notice was or will be mailed to policyholders. The law prohibits the Bureau from taking final action on the filing until 40 days after the date notice was provided to policyholders.

##### Contents of Notice

The notice must disclose (1) the increase being proposed, (2) the fact that it is subject to regulatory approval, and (3) the policyholder's right to request a hearing. Insurers may wish to consider wording similar to the following:

We are proposing to increase your rate \_\_%, from \$\_\_\_\_. to \$\_\_\_\_. This [includes][does not include] any increase that may result from a change in your age or where you live. This increase is proposed to take effect on \_\_\_\_\_, 20\_\_. The proposed increase is subject to approval by Maine's Superintendent of Insurance. Pursuant to Title 24-A M.R.S.A. § 229, you have a right to request that the Superintendent hold a public hearing on the proposed increase by writing, within 30 days after the date you receive this notice, to: Superintendent of Insurance, 34 State House Station, Augusta, Maine 04333-0034. Your request should state your reasons for requesting a hearing. Alternatively, you can provide written comments to the Superintendent by writing to the same address. Maine law does not require the Superintendent to hold a hearing. Maine law requires the Superintendent to allow the increase if it is found to be adequate to pay anticipated claims and is found not to be excessive or unfairly discriminatory. These standards apply regardless of whether a public hearing is held.

If it is not feasible to individualize the notices to provide the rate applicable to each policyholder, the

first sentence will need to be modified. Possible alternatives include the following:

We are proposing to increase our rates. The average increase proposed is \_\_%, but individual increases may range from \_\_% to \_\_%. The proposed rates are shown on the enclosed rate schedule.

...

We are proposing to increase our rates. The average increase proposed is \_\_%, but individual increases may range from \_\_% to \_\_%. You can find out what your new rate would be by calling toll-free \_\_\_-\_\_\_-\_\_\_\_. ...

Other modifications may be needed, depending on circumstances. For instance, the following language could be included if applicable:

While the new rate schedule is proposed to take effect on \_\_\_\_\_ \_\_, 20\_\_, your rate will not increase until your next [policy anniversary] [premium due date].

#### New Business

When a rate is quoted for new business, the quote must disclose any rate increase that the insurer anticipates implementing within the following 90 days. If the quote is in writing, the disclosure must also be in writing. If the increase is pending approval at the time of notice, the disclosure must include the proposed rate and state that it is subject to regulatory approval. If the required disclosure is not provided, an increase may not be implemented until at least 90 days after the date the quote is provided.

September 28, 2001 \_\_\_\_\_

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NOTE: This bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties or privileges nor is it intended to provide legal advice. Readers are encouraged to consult applicable statutes and regulations and to contact the Bureau of Insurance if additional information is needed.