

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 235 (Delegate Tarrant, *et al.*)
Health and Government Operations

Finance

Health Insurance - Rescission of Contracts and Certificates - Restrictions

This bill prohibits a carrier that conditions coverage on evidence of individual insurability from rescinding coverage on the basis of written information submitted on or with or omitted from an application unless the carrier completed medical underwriting and resolved all reasonable medical questions related to the written information before issuing the health benefit plan. A carrier must prove that any rescission of a health benefit plan complies with these provisions.

The bill takes effect October 1, 2009 and applies to all policies, contracts, certificates, and health benefit plans issued, delivered, or renewed on or after October 1, 2009.

Fiscal Summary

State Effect: Enforcement of the bill's provisions by the Maryland Insurance Administration (MIA) can be handled with existing budgeted resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: After two years from the date of issue of a policy, no misstatements, except fraudulent misstatements, made by the applicant in the initial application for coverage can be used to void the policy or deny a claim for loss incurred or disability.

Background: In 2008, the U.S. House of Representatives Committee on Oversight and Government Reform investigated rescission practices in the individual health insurance market after regulators in California and Connecticut uncovered evidence of improper rescissions. In response, MIA subjected consumer complaints about policy rescission to greater scrutiny.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2009
mcp/mwc Revised - House Third Reader - March 25, 2009

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510