

MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 2358

H.P. 1719 House of Representatives, February 25, 1988

Approved for introduction by a majority of the
Legislative Council pursuant to Joint Rule 26.

Reference to the Committee on Banking and Insurance
suggested and ordered printed.

EDWIN H. PERT, Clerk
Presented by Speaker MARTIN of Eagle Lake.

Cosponsored by Representative RYDELL of Brunswick,
President PRAY of Penobscot and Senator GILL of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-EIGHT

1 AN ACT to Insure Adequate Rate
2 Filing Information from Health Insurers.
3

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

6 Sec. 1. 24 MRSA §2321, sub-§2, as amended by PL
7 1979, c. 558, §2, is further amended to read:

8 2. Filing information. ~~When a filing is not~~

1 accompanied by the information upon which the
2 organization supports such filing, or the
3 superintendent does not have sufficient information to
4 determine whether such filing meets the requirements
5 the rates shall not be excessive, inadequate or
6 unfairly discriminatory, he The superintendent shall
7 require the organization to furnish the information
8 upon which it supports the filing, as established by
9 subsection 3. A filing and supporting information
10 shall be a public record within the meaning of Title
11 1, section 402, subsection 3 and shall become part of
12 the official record of any hearing held pursuant to
13 section 2322, except as provided in subsection 4. For
14 the purpose of determining whether the filing produces
15 rates that are not excessive, inadequate or unfairly
16 discriminatory, the superintendent may employ
17 consultants, including actuaries and the reasonable
18 costs of the consultants, including actuaries, which
19 shall include costs of testifying at any hearing held
20 pursuant to section 2322, shall be borne by the
21 organization making such filing.

22 Sec. 2. 24 MRSA §2321, sub-§§3, 4 and 5 are
23 enacted to read:

24 3. Contents of filing. A rate filing shall
25 include:

26 A. For each of the 3 calendar years immediately
27 preceding the date of the filing:

28 (1) The actual direct earned premium
29 allocable to the coverage of risks in this
30 State;

31 (2) Unearned premium, earned premium, loss,
32 loss expense reserve, capital and surplus
33 subject to investment, allocable to the
34 coverage of risks in this State;

35 (3) For the investment corresponding to the
36 liabilities, capital and surplus referred to
37 in subparagraph (2):

38 (a) The amount of investments;

- 1 (b) The types of investments; and
- 2 (c) The annual income amounts, before
3 taxes, generated by the aggregate of
4 these investments;
- 5 (4) The gross rate of return on admitted
6 assets;
- 7 (5) The amount of dividends or the
8 equivalent allowed or returned to
9 policyholders;
- 10 (6) The aggregate annual expenses allocable
11 to the coverage of risks in this State,
12 including acquisition and field supervision
13 expenses, taxes, licenses and fees, other
14 than federal income tax and general expenses,
15 each stated separately; and
- 16 (7) The aggregate annual losses and loss
17 adjustment expenses allocable to the coverage
18 of risks in this State; and
- 19 B. For each risk classification:
- 20 (1) The rate presently applicable to the
21 classification;
- 22 (2) The rate proposed for classification;
23 and
- 24 (3) Loss experience in this State for each
25 of the 3 most recent years available.
- 26 4. Confidentiality. The superintendent may by
27 rule, promulgated in accordance with the Maine
28 Administrative Procedure Act, Title 5, chapter 375,
29 provide for appropriate protection of confidential
30 trade secrets of privileged medical information.
- 31 5. Approval standard. In determining if the rate
32 request is just and reasonable, the superintendent
33 shall consider:

1 A. The reasonableness of any return on capital
2 and surplus allocable to the coverage of risks in
3 this State;

4 B. The reasonableness of the amounts of capital
5 and surplus allocable to the coverage of risks in
6 this State;

7 C. The reported investment income earned or
8 realized from funds generated from business in
9 this State;

10 D. The reported loss reserves, including the
11 methods and the interest rates used in determining
12 the present value for reported reserves and the
13 use of those reserves in the determination of the
14 proposed rates;

15 E. The reported annual losses and loss adjustment
16 expenses;

17 F. The measures taken to contain costs and
18 administrative expenses;

19 G. The relationship of the aggregate amount of
20 operating expenses reported by all companies to
21 the annual operating expenses reported in the
22 filing and the annual insurance expense exhibits
23 filed by each company with the superintendent;

24 H. The reasonableness of predicted trends of
25 projections and of actual assumptions used in the
26 filing; and

27 I. The impact of operating and management
28 efficiency of the companies on expense levels and
29 the effect of variations in expense levels on
30 rates. The filer shall have the burden of proving
31 that the rates meet the requirements of this
32 section. The superintendent may not approve an
33 increase or decrease in rates unless the
34 superintendent finds that the information supplied
35 in the filing and sworn testimony is accurate and
36 sufficient to meet the requirements of this
37 section.

1 Sec. 3. 24 MRSA §2327, as amended by PL 1985,
2 c. 648, §2, is further amended to read:

3 §2327. Group rates

4 No group health care contract may be issued by a
5 nonprofit hospital or medical service organization or
6 for profit insurance company in this State until a
7 copy of the filing information established by section
8 2321 and the group manual rates to be used in
9 calculating the rates for these contracts has been
10 filed for informational purposes with the
11 superintendent. Notwithstanding this section, rates
12 for group Medicare supplement, nursing home care or
13 long-term care contracts must be filed in accordance
14 with section 2321.

15

STATEMENT OF FACT

16 Maine law does not require health insurance
17 companies to file with the Superintendent of Insurance
18 any information relating to group policies. Most
19 Maine workers are covered by group health insurance.
20 Major group rates are expected to increase
21 considerably over the next year, yet there is no way
22 to determine the appropriate level of such increases,
23 their bases and related information. Health insurance
24 is one of the fastest increasing insurance coverages,
25 with little or no state role in protecting the public
26 from inappropriate increases.

27 This bill remedies some of those gaps in Maine
28 law, establishing data requirements for companies to
29 file when considering premium increases.

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