

# MAINE STATE LEGISLATURE

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1 (After Deadline)  
2 SECOND REGULAR SESSION  
3

4 ONE HUNDRED AND TWELFTH LEGISLATURE  
5

6 Legislative Document

No. 2251

7  
8 H.P. 1598 House of Representatives, March 24, 1986  
9 Approved for introduction by a majority of the Legislative Council  
pursuant to Joint Rule 27.

10 Reference to the Committee on Business and Commerce suggested and  
ordered printed.

11 EDWIN H. PERT, Clerk

Presented by Representative Brannigan of Portland.

Cosponsored by Representative Murray of Bangor and Representative  
Willey of Hampden.

12  
13 STATE OF MAINE  
14

15 IN THE YEAR OF OUR LORD  
16 NINETEEN HUNDRED AND EIGHTY-SIX  
17

18 AN ACT to Prohibit Mandatory Retrospective  
19 Rating in Workers' Compensation  
20 Insurance Policies.  
21

22 Be it enacted by the People of the State of Maine as  
23 follows:

24 Sec. 1. 24-A MRSA §2343, sub-§2, as enacted by  
25 PL 1985, c. 372, Pt. B, §5, is amended to read:

26 2. Retrospective premium adjustments. Insurers  
27 may file rating plans that provide for retrospective  
28 premium adjustments based on an insured's past expe-  
29 rience.

30 In both the voluntary market and the residual market,  
31 retrospective rating plans shall be voluntary and at  
32 the option of the insured. No rating organization or  
33 insurer may require the utilization of a retrospec-  
34 tive rating plan without the prior consent of the in-  
35 sured.

1       Sec. 2. 24-A MRS §2350, sub-§1, ¶E, as enacted  
2 by PL 1985, c. 372, Pt. B, §5, is amended to read:

3       E. An employer is eligible for insurance from  
4 the Accident Prevention Account if:

5                 (1) He has a loss ratio greater than 1.00  
6 over the last 3 years for which data is  
7 available; and

8                 (2) He has attempted to obtain insurance in  
9 the voluntary market and has been refused by  
10 at least 2 insurers which write that insur-  
11 ance in this State. For the purpose of this  
12 section, an employer shall be considered to  
13 have been refused if he has been offered in-  
14 surance only under a retrospective rating  
15 plan or plans.

16   STATEMENT OF FACT

17                 The purpose of this bill is to overturn a recent  
18 ruling by the Bureau of Insurance which permits in-  
19 surance carriers to unilaterally impose retrospective  
20 rating plans on certain employers. Prior to the rul-  
21 ing, retrospective rating plans were entirely volun-  
22 tary.

23                 The effect of that ruling was to allow insurers  
24 to retroactively increase an employer's premium for a  
25 particular policy year by as much as 75%, based upon  
26 the employer's loss experience. Rate increases of  
27 this magnitude will represent an extreme hardship for  
28 many employers and run counter to the Legislature's  
29 efforts last session to slow the growth in premiums  
30 by permitting only limited rate increases on a  
31 phased-in basis.

32                 This bill permits retrospective rating plans, but  
33 makes these plans optional as they have been in the  
34 past.

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