

# MAINE STATE LEGISLATURE

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# 115th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1991

Legislative Document

No. 701

H.P. 507

House of Representatives, February 20, 1991

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

EDWIN H. PERT, Clerk

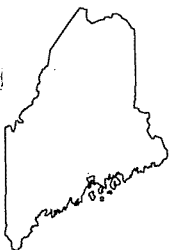
Presented by Representative RYDELL of Brunswick.

Cosponsored by Senator BUSTIN of Kennebec, Representative KETOVER of Portland and Speaker MARTIN of Eagle Lake.

STATE OF MAINE

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND NINETY-ONE

**An Act to Provide Community Rating of Health Insurance Providers.**



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

2  
4 Sec. 1. 24-A MRSA §2808-A, sub-§1, as enacted by PL 1989, c. 422, §2, is repealed and the following enacted in its place:

6 1. Groups with fewer than 25 members. An insurer providing  
8 health insurance to a group of less than 25 members, excluding  
10 dependents, or to an individual seeking health insurance in  
12 connection with self-employment may not:

14 A. Increase health insurance premium rates on the basis of  
16 the claims experience of that group or self-employed person;  
18 or

20 B. Vary the rate at which coverage is offered due to the  
22 age, gender, family status, occupation, industry, health  
24 status or claims experience of the covered group or  
26 self-employed person.

28 Sec. 2. 24-A MRSA §2808-A, sub-§3, as enacted by PL 1989, c. 422, §2, is amended to read:

30 3. Tiers of rates allowed. Groups or subgroups subject to  
32 subsection 1-~~or~~ 2 may be divided into 2 or more tiers for rating  
34 purposes based on the experience of the group or subgroup  
36 provided that the following conditions are satisfied.

38 A. The rates for the highest tier may not exceed the  
40 average rate for all tiers by more than 20%.

42 B. At the time of application, the insurer must provide to  
44 the prospective policyholder a prominent disclosure  
46 indicating that premium rates may change based on the claims  
48 experience of the group or subgroup. If the policyholder is  
50 a multiple employer trust, the policyholder must provide  
this disclosure to each employer at the time of application  
to the trust. For multiple employer trusts in existence on  
January 1, 1990, this disclosure procedure must be completed  
prior to the first subsequent renewal.

Sec. 3. 24-A MRSA §2808-A, sub-§5, as enacted by PL 1989, c. 422, §2, is repealed.

Sec. 4. 24-A MRSA §2808-B is enacted to read:

§2808-B. Small group and self-employment coverage

An insurer providing group health insurance to groups of  
fewer than 25 members, excluding dependents, and to individuals  
seeking coverage in connection with their self-employment shall

2 offer coverage and guarantee renewal to all such groups and  
3 individuals.

4 **Sec. 5. Applicability.** This Act applies to all policies  
5 executed, delivered, issued for delivery, continued or renewed in  
6 this State on or after January 1, 1992. It applies to any  
7 certificates delivered to residents of this State under a group  
8 health insurance policy described in the Maine Revised Statutes,  
9 Title 24-A, section 2805-A, 2806 or 2808 and executed, continued  
10 or renewed on or after January 1, 1990. For purposes of this  
11 section, all contracts are deemed to be renewed no later than the  
12 next yearly anniversary of the contract date.

13 **Sec. 6. Repeal.** The Maine Revised Statutes, Title 24-A,  
14 section 2808-A, subsection 4, is repealed January 1, 1992.

15 **Sec. 7. Effective date.** Sections 1 and 2 of this Act take  
16 effect January 1, 1992.

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18  
19 **STATEMENT OF FACT**

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21 This bill requires that insurers that offer group health  
22 insurance to groups of fewer than 25 members, excluding the  
23 number of dependents, and to individuals seeking coverage in  
24 connection with self-employment use community rating in their  
25 rate-setting process. When using community rating, the insurer  
26 may not vary the rate at which coverage is offered due to age,  
27 gender, family status, occupation, industry, health status or  
28 claims experience. In addition, these insurers must offer  
29 coverage and guarantee renewal to all such groups and  
30 self-employed individuals. Nonprofit medical service  
31 organizations are subject to the same requirements by operation  
32 of the Maine Revised Statutes, Title 24 section 2327.  
33  
34