

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 783

H.P. 546

House of Representatives, February 22, 1991

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

EDWIN H. PERT, Clerk

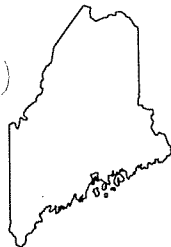
Presented by Representative RAND of Portland.

Cosponsored by Representative MITCHELL of Vassalboro, Representative KETOVER of Portland and Representative CARLETON of Wells.

STATE OF MAINE

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

An Act to Amend the Law Concerning the Maine High-Risk Insurance Organization.



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

2

4 **Sec. 1. 24-A MRSA §6052, sub-§3**, as enacted by PL 1987, c.
542, Pt. H, §5, is amended to read:

6 **3. Board of directors established.** The Governor shall
7 appoint a board of directors for the organization. The board
8 ~~shall be composed~~ is comprised of 7 members. Six of those
9 members shall represent the following interests: Two members
10 shall represent consumers of health insurance who are not
11 otherwise affiliated with the provision or financing of health
12 care; one member shall represent domestic commercial insurers;
13 one member shall represent nonprofit hospital and medical service
14 organizations; one member shall represent hospitals; and one
15 member shall ~~must~~ be the Superintendent of Insurance, or his a
16 designee. Appointments ~~shall be~~ are for 5-year terms, except
17 that no more than 2 members' terms may expire in any one calendar
18 year. Appointments for terms of less than 5 years may be made
19 initially and to replace vacancies, if necessary, to maintain the
20 appropriate staggered terms of office. Members shall serve until
21 their successors are appointed and qualified. The Governor shall
22 designate the ~~chairman~~ chair of the board. The ~~chairman~~ chair
23 of the board shall schedule an organizational meeting within 60 days
24 of appointment.

26 **Sec. 2. 24-A MRSA §6053, sub-§5**, as enacted by PL 1987, c.
542, Pt. H, §5, is amended to read:

28

29 **5. Select administering insurer.** Select an administering
30 insurer through a competitive bidding process;

32 **Sec. 3. 24-A MRSA §6055, sub-§2**, as enacted by PL 1987, c.
542, Pt. H, §5, is amended to read:

34

35 **2. Term and subsequent appointment.** Term and subsequent
36 appointment ~~shall be~~ are structured as follows.

38 A. The initial administering insurer shall serve ~~for a~~
39 ~~period of 3 years~~ until June 30, 1992, subject to removal
40 for cause. The terms of subsequent administering insurers
41 must be set by the board of directors and must last at least
42 one year.

44 B. At least one year prior to the expiration of the 3-year
45 period of service by an administering insurer, the board
46 shall invite all insurers, including the current
47 administering insurer, to submit bids to serve as the
48 administering insurer for the any succeeding 3-year period.
49 Selection of the administering insurer for the succeeding
50 period shall ~~must~~ be made at least 6 months prior to the end
of the current 3-year period.

2 **Sec. 4. 24-A MRSA §6059, sub-§§1, 2 and 3,** as enacted by PL
4 1987, c. 542, Pt. H, §5, are amended to read:

6 **1. Reasonableness.** Premiums charged for coverages issued
8 by the organization may not be unreasonable as to the group or
 the individual in relation to the benefits provided, the risk
 experience and the reasonable expenses of providing the coverage.

10 **2. Separate schedules; community rating.** Separate
12 schedules of premium rates based on age, sex and geographical
14 location may apply for individual risks. Rates and rate
 schedules may be adjusted for appropriate risk factors, such as
16 age and area variation in claim cost if based on individual
 rating, or may be based upon community rating for the entire
18 group, and shall must take into consideration appropriate risk
 factors in accordance with established actuarial and underwriting
 practices.

20 **3. Standard risk rate for individual rating.** ~~The~~ If using
22 individual rating, the board shall determine the standard risk
 rate by calculating the average individual standard rate charged
24 by the 5 largest insurers offering coverages in the State
 comparable to the organization coverage. ~~In--the--event--If~~ If 5
26 insurers do not offer comparable coverage, the standard risk rate
 shall must be established using reasonable actuarial techniques
 and shall must reflect anticipated experience and expenses for
28 the coverage. In no event may organization rates exceed 150% of
 rates applicable to the standard risk rate.

30
32 **STATEMENT OF FACT**

34 This bill provides that members of the Board of Directors of
36 the Maine High-Risk Insurance Organization serve until their
 successors are appointed, allows the board to use community
38 rating to establish premium rates, establishes that the selection
 process for the administering insurer is a bidding process and
40 extends the present administering insurer's contract until June
 30, 1992.