

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

SECOND REGULAR SESSION-1992

Legislative Document

No. 2102

H.P. 1490

House of Representatives, January 7, 1992

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 24.

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

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

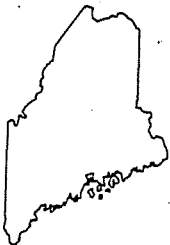
Presented by Representative GARLAND of Bangor.

Cosponsored by Representative RAND of Portland, Senator THERIAULT of Aroostook and Representative MITCHELL of Vassalboro.

STATE OF MAINE

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

An Act to Prohibit Unfair Rating Practices in Small Group Health Insurance.



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

24-A MRSA §2808-A, as amended by PL 1991, c. 353, is further amended to read:

§2808-A. Rating practices in group health insurance

1. **Groups with fewer than 25 members.** Except as provided in subsection 3, no insurer may increase charge group health insurance premium rates for a ~~group~~ groups with fewer than 25 insured members, excluding dependents, ~~on the basis of that vary based on~~ the claims experience of ~~that~~ the group.

2. **Subgroups; rate differentiation.** Except as provided in subsection 3, no insurer may increase charge group health insurance premium rates on a basis which that discriminates between different subgroups of a group according to the claims experience of the subgroup. The term "subgroup," as used in this section, refers to an employer with fewer than 25 insured employees within a multiple employer trust, or to any similar subdivision of a larger group covered by a single group health insurance policy or contract.

3. **Tiers of rates allowed.** Groups Except as provided in paragraph C, groups or subgroups subject to subsection 1 or 2 may be divided into 2 or more tiers for rating purposes based on the experience of the group or subgroup provided that the following conditions are satisfied.

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

B. At the time of application, the insurer must provide to the prospective policyholder a prominent disclosure indicating that premium rates may change based on the claims experience of the group or subgroup. If the policyholder is 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.

C. Exceptions to subsections 1 and 2 do not apply to policies executed, delivered, issued for delivery, continued or renewed on or after January 1, 1993.

4. **Applicability.** This section applies to all policies executed, delivered, issued for delivery, continued or renewed in this State on or after January 1, 1990. This section applies to any certificates delivered to residents of this State under a group health insurance policy described in section 2805-A, 2806

2 or 2808 and executed, continued or renewed on or after January 1,
3 1990. For purposes of this section, all contracts are deemed
4 renewed no later than the next yearly anniversary of the contract
5 date.

6 ~~5.---Sunset.---Unless---continued---or---modified---by---law,---this~~
7 ~~section-is-repealed-on-October-1,1992.~~

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9
10 **STATEMENT OF FACT**

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12 Current law restricting the use of a small employer's own
13 experience in the rating group health insurance is due to sunset
14 on October 1, 1992. This bill removes the sunset clause and
15 prohibits any use of a small employer's own experience in rating
16 after January 1, 1993.