

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE
ONE HUNDRED AND FOURTEENTH LEGISLATURE
FIRST REGULAR SESSION

December 7, 1988 to July 1, 1989

Chapters 1 - 502

THE GENERAL EFFECTIVE DATE FOR
NON-EMERGENCY LAWS IS
SEPTEMBER 30, 1989

PUBLISHED BY THE REVISOR OF STATUTES
IN ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,
TITLE 3, SECTION 163-A, SUBSECTION 4.

J.S. McCarthy Company
Augusta, Maine
1989

PUBLIC LAWS
OF THE
STATE OF MAINE

AS PASSED AT THE
FIRST REGULAR SESSION

of the
ONE HUNDRED AND FOURTEENTH LEGISLATURE

1989

group health insurance policy described in section 2805-A, 2806 or 2808 and executed, continued or renewed on or after January 1, 1990. For purposes of this section, all contracts shall be deemed to be renewed no later than the next yearly anniversary of the contract date.

5. Sunset. Unless continued or modified by law, this section is repealed on October 1, 1991.

See title page for effective date.

CHAPTER 423

S.P. 122 - L.D. 188

An Act Relating to Workers' Compensation Insurance

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

Sec. 1. 24-A MRSA §2363, sub-§4, as enacted by PL 1987, c. 559, Pt. A, §4, is repealed and the following enacted in its place:

4. Contents of filing. A rate filing shall include:

A. Maine premium, loss and loss adjustment experience. Maine premium, loss and loss adjustment experience shall show:

(1) Data from all companies writing workers' compensation insurance in this State. If a company is excluded from the rate level, trend, loss development, expense determination, classification differentials or investment income calculations, that company and its market share shall be identified and an explanation provided for its exclusion;

(2) Premiums calculated at current rate level. Whenever on-level factors are used, their derivation shall be shown. The derivation of the percentages of total premium written and earned at various rate levels shall also be shown;

(3) The amount of premium collected from the expense constant. This premium shall be provided in dollars and as a percentage of the standard earned premium and as a percentage of net earned premium. If the percentage of premium collected in this manner is expected to change, the extent of the change shall be estimated and the details of this estimation provided;

(4) The amount of premium collected by the minimum premium. This premium shall be provided in dollars and as a percentage of standard earned premium and as a percentage of earned premium. If the percentage of

premium collected in this manner is expected to change, the extent of the change shall be estimated and the details of this estimation provided;

(5) Earned premiums which shall include premium collected from the specific disease loading. If disease loadings have been excluded, a justification shall be provided;

(6) The latest earned premiums and market shares for the 10 largest workers' compensation insurers, by group, in this State;

(7) The following information on companies deviating from bureau workers' compensation rates for each of the last 3 years:

(a) A list of all deviating companies;

(b) The total standard premium written at deviated rates;

(c) The percentage of the entire statewide standard premium written at deviated rates;

(d) The total amount of deviations in dollars;

(e) The average percentage deviation for deviating companies; and

(f) The average percentage deviation for all companies;

(8) The following information on company workers' compensation dividend practices for each of the last 3 years:

(a) A list of all companies issuing dividends;

(b) The total amount of dividends in dollars;

(c) The average percentage dividend issued by companies issuing dividends; and

(d) The average percentage dividend issued by all companies;

(9) All policy year and accident year incurred loss data used in the filing, provided in the aggregate and also separated into paid losses, case-incurred and incurred but not reported losses; and

(10) The related incurred losses for all incurred loss adjustment expense data contained in the filing;

B. Credibility factor development and application. All information relating to the selection of the credibility factors contained in the filing shall be provided, which shall include:

- (1) A complete description of the methodology used to derive the factors;
- (2) A description of the criteria used to select the methodology for inclusion in the filing;
- (3) Details on the application of the methodology to this filing; and
- (4) A listing of alternative methodologies used in other states in filings made during the last 2 years;

C. Loss development factor development and application.

- (1) The following loss data at successive evaluation dates shall be provided:
 - (a) At least the latest available 12 years of data for matching companies for all pairs of successive evaluation dates, except that for a rate filing made in 1989 and 1990 the data periods shall be 10 and 11 years, respectively;
 - (b) Data on both a policy year and an accident year basis;
 - (c) Data separated into indemnity and medical losses as well as combined data;
 - (d) Data separated into paid, case-incurred, including incurred but not reported losses and case-incurred excluding incurred but not reported portions as well as total losses;
 - (e) Reported indemnity, medical, and total claims for all years and evaluation dates for which loss information is provided;
 - (f) The latest available 5-unit statistical policy years of loss data for matching companies for all pairs of successive evaluation dates;
 - (g) Case-incurred losses, number of claims, standard earned premium and earned exposures;
 - (h) Losses separated into indemnity and medical losses;

(i) Compensable claim experience separated into deaths, permanent totals, major permanent partials, minor permanent partials and temporary totals;

(j) Current on-level benefit factors for each injury type split between indemnity and medical; and

(k) For each policy year, the actual average wage and the average wage after the application of any payroll limitation.

(2) All information relating to the selection of the loss development factors contained in the filing shall be provided. This information shall consist of:

(a) A complete description of the methodology used to arrive at the selected factors;

(b) A description of alternative methodologies used or considered for use by the rating bureau in other states during the last 2 years; and

(c) Specific details regarding the application of the criteria used in the selection of a methodology for this filing;

D. Trending factor development and application, which shall include:

(1) The following trend information:

(a) Indemnity and medical trend factor calculations based upon both policy year data and accident year data from this State;

(b) Indemnity and medical trend factor calculations based upon countrywide policy year data;

(c) For the medical trend, separate compilations for fee schedule and nonfee schedule states on both a policy year and an accident year basis; and

(d) Any econometric projections done of claim severity, claim frequency and average weekly wages based on models used by or in the possession of the rating bureau; and

(2) All information relating to the selection of the trend factors contained in the filings. This information shall include:

(a) A complete description of the methodology used to derive the selected factors;

(b) A description of alternative methodologies used or considered for use by the rating bureau in other states; and

(c) Specific details regarding the application of the criteria used in the selection of a methodology of this filing;

E. Changes in premium base and exposures. The following information shall be provided with any filing proposing a change in premium discounts, expense constants or minimum premiums:

(1) Information on the distribution by size of policy shall be provided so that the effects of premium discount, the expense constant and the minimum premium rule can be calculated. This information shall include the number of policies and the dollar amount of premium in this State for the latest available 3 years separately for stock and nonstock companies, and combined using the following premium size distribution: \$0-\$199; \$200-\$299; \$300-\$499; \$500-\$999; \$1,000-\$2,999; \$3,000-\$4,999; \$5,000-\$9,999; \$10,000-\$24,999; \$25,000-\$49,999; \$50,000-\$99,999; \$100,000-\$249,999; and over \$249,999. Information shall be provided for the premium bands affected by the proposed changes; and

(2) Any countrywide distributions of number of policies or premium by layer that is used in the filing shall be described. Details shall be provided concerning how these distributions have been used in the rate filing, the sources and dates of the information used to produce the distributions and a description of any adjustments that have been made to the distributions;

F. Limiting factor development and application, which shall include the following information:

(1) Limitations on losses included in the statistical data used in the filing;

(2) Limitations on the extent of the rate level change;

(3) Limitations on the extent of classification rate changes; and

(4) Any other limitations applied;

G. Overhead expenses. The part of the filing pertaining to overhead expenses shall include the following:

(1) The expense provisions used in the filing and an explanation of the derivation of the expense provisions which shall include the following information:

(a) A complete description of the methodology used to derive the selected provisions;

(b) A description of alternative methodologies used or considered for use by the rating bureau in other states; and

(c) Specific details regarding the application of the criteria used in the selection of a methodology for this filing;

(2) Support for all the expense, tax and profit provisions for the proposed rates, under both the current and proposed expense provisions. An explanation shall be provided concerning why these provisions are appropriate for stock and nonstock insurance companies;

(3) Expense experience allocable to the coverage of risks in this State, including acquisition and field supervision expenses; taxes, licenses and fees; general expenses; and loss adjustment expenses. Safety engineering expense and loss control services expense shall be stated separately under general expense;

(4) A description of any adjustments of countrywide data to reflect conditions within this State and the details of the underlying calculations. If the proposed expense provisions differ from those indicated by the data, an explanation shall be provided;

(5) A description of how proposed allowances for expenses are reviewed each year by committees of the rating bureau;

(6) The dollar amount, if any, of taxes and assessments included in the collected loss data;

(7) The details of the derivations of the tax multiplier;

(8) Expense data required by this subsection, reported in the aggregate for all insurers. The expense data shall be reported separately for each of the 10 largest insurers, based on written premium in the prior calendar year;

(9) For each of the 10 largest writers of workers' compensation insurance in this State, a statement regarding any expense reduction activities undertaken in the last 3 years; and

(10) The changes and improvements instituted in loss control and employee safety engineering for the 10 largest carriers, based on written premium in the prior calendar year.

If the superintendent finds that state expense data is not fully credible, the superintendent may consider expense data from outside this State;

H. Law amendment valuation. For any law changes becoming effective during that period in which rates will be in effect, or in effect but not evaluated in prior rate filings, the following information shall be provided:

(1) A complete description of the methodology used to evaluate the law change;

(2) Identification of assumptions made and supporting information for those assumptions, both as to information before and after the law change; and

(3) Identification of the source and timeliness of data, including identification of data from experience within this State and data from countrywide or other states;

I. A showing of the overall statewide rate change as well as the amount of the change attributable to each of the following: Loss experience; a modification of the trend factor; a change in expense provisions; law amendments; a change in the tax provision; a change in the assessment provision; and any other factors. The rate changes for each industry group and each classification shall also be shown;

J. The proposed rates for each classification;

K. Investment earnings. The following information related to anticipated investment income shall be provided:

(1) Information on the amount of investment income earned on loss, loss expense and unearned premium reserves in relation to both net and standard earned premium for workers' compensation in this State calculated for the latest 5 years, and the total amount of investment income expected to be earned on loss, loss expense and unearned premium reserves in relation to both net and standard premium reserves for workers' compensation policies sold in this State during the years in which the proposed rates will be in effect. The derivation of these calcula-

tions shall be provided in detail, including the amount of the composite reserves of each type at the beginning and end of the specified years.

(2) The estimated pay-out pattern of compensable injuries and illnesses in this State, adjusted to current law; and

(3) Composite information from the annual statement for all workers' compensation insurers in this State. The following information from the latest 2 annual statements shall be provided in the same format and detail as the exhibits in individual company statements:

(a) Page 2, Assets, line one through the line identified "Totals.";

(b) Page 3, Liabilities, Surplus and Other Funds, line one through the line identified "Totals.";

(c) Page 4, Underwriting and Investment Exhibit, line one through the line identified as "Surplus as regards policyholders, December 31 current year.";

(d) Exhibit one, Analysis of Assets, line one through the line identified "Totals."; and

(e) Schedule P sections dealing with workers' compensation;

L. An identification of all statistical plans used or consulted in preparing this filing. A description of the data compiled by each plan shall also be provided;

M. The resulting rates of return on equity capital resulting from the selected underwriting profit and contingency factor. The derivation of all factors used in producing the calculations and justification that the rate of return on equity is just and reasonable shall be provided;

N. The level of capital and surplus needed. The following information relating to the level of capital and surplus shall be provided:

(1) Aggregate premium to surplus ratios and reserve to surplus ratios for the latest 5 calendar years for all companies writing workers' compensation insurance in this State; and

(2) Estimates of comparable ratios for the years during which the rates will be in effect; and

O. The following miscellaneous information:

(1) For the following items, an explanation of the purpose for and a detailed description of the derivation shall be included:

- (a) Expected loss rate;
- (b) D-ratio;
- (c) Excess loss factors;
- (d) Excess loss adjustment amounts; and
- (e) Table of weighting and ballast values;

(2) The following information relating to the derivation of the profit and contingency loading contained in the filing shall be provided:

- (a) A complete description of the methodology used to arrive at the selected loading;
- (b) A description of alternative methodologies used or considered for use by the rating bureau in other states; and
- (c) Specific details regarding the application of the criteria used in the selection of a methodology for this filing; and

(3) Information shall also be provided on all filings by the rating bureau that have been submitted with an underwriting profit and contingency loading other than the provision used in this filing. The following information shall be listed for all such filings in the last 3 years: The State; the underwriting profit and contingency loading submitted; the loading approved; and the effective date of the rate.

For a filing made on or after July 1st in any year, the data and information required in paragraphs A, C, D, G, K and N shall be for the period ending with the immediately preceding calendar year. For a filing made prior to July 1st, the data and information required in paragraphs A, C, D, G, K and N shall be for the period ending with the second preceding calendar year.

Sec. 2. 24-A MRSA §2363, sub-§5, as enacted by PL 1987, c. 559, Pt. A, §4, is repealed.

Sec. 3. 24-A MRSA §2363, sub-§5-A is enacted to read:

5-A. Voluntary and residual market rates. If rates and rating factors for the voluntary market and the residual

market are submitted concurrently, the following information shall be included in the filing:

A. An explanation of the derivation of the rate differential, or differentials, among the voluntary market rates, the safety pool rates and the accident prevention account rates; and

B. For a filing made on or after July 1st in any year, for the 3 calendar years immediately preceding the date of filing, the actual written premium, earned premium, incurred losses, incurred loss adjustment expenses, paid losses and paid loss adjustment expenses. For a filing made prior to July 1st, the premium loss and expense information required by this paragraph shall be for the 2nd, 3rd and 4th preceding calendar years.

See title page for effective date.

CHAPTER 424

H.P. 823 - L.D. 1155

An Act to Restrict the Use of Lobster Trap Dipping Solutions

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

12 MRSA §6443 is enacted to read:

§6443. Dipping lobster traps or similar gear

No person may dip, soak or treat lobster or crab traps, warps or cars prior to use in waters of the State other than in a solution of salt and sea water except as provided in this section.

The commissioner may authorize a specified amount of dipping, soaking or treating of lobster or crab traps, warps or cars in solutions other than salt and sea water for research purposes. This authorization shall be in writing.

See title page for effective date.

CHAPTER 425

H.P. 385 - L.D. 516

An Act to Clarify the Responsibilities of School Boards

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, local school boards are prepared to take immediate action to participate in group self-insurance