

MAINE STATE LEGISLATURE

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STUDY REPORT ON
RATEMAKING IN WORKERS' COMPENSATION

Business Legislation Committee

January 13, 1982

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SUMMARY

Last June the Legislative Council approved the Committee's request to study ratemaking in workers' compensation. Seven committee members volunteered to serve as a subcommittee to conduct the study; the members were:

Senator Roland L. Sutton, Chairperson

Senator Charlotte Z. Sewall

Representative Mark L. Fitzgerald

Representative Hilda C. Martin

Representative Alfred W. Perkins

Representative Roger M. Pouliot

Representative Norman O. Racine

The subcommittee focused on the concept "competitive rating." Essentially, competitive rating would do away with the requirement that the Insurance Superintendent approve workers' compensation rates prior to their taking effect, allowing carriers to set their own rates according to competitive market forces.

The subcommittee held 3 meetings on the subject with representatives of agents, business associations, carriers, and insurance trade associations, and considered a draft competitive rating bill prepared by the staff. It found that there are sharp differences on the merits of competitive rating: proponents believe it will promote efficiency, make rates more responsive, and improve loss control; opponents believe it will erode the data base, increase rates for small business, and de-emphasize loss control.

Although 2 states have adopted competitive rating, it is not yet possible to predict the results if it were adopted in Maine. The theoretical arguments for competitive rating are balanced by as many against it. Nevertheless, 12 committee members believe that the rate problem in Maine is so severe that the full Legislature ought at least to consider competitive rating in this session. One committee member felt that the burden of persuasion rests on those who favor replacing prior approval of rates with competitive rating, and that this burden had not been met; he therefore did not support further consideration of competitive rating at this time.

INTRODUCTION

In the 1st Regular Session of the 110th Legislature, the Committee heard 2 bills which would have created a state fund for workers' compensation. Neither bill was enacted, but the Committee concluded from its discussions that the problem of escalating premiums in Maine is so severe that the Committee ought to examine ratemaking in workers' compensation with a view toward finding a method of stabilizing or reducing premium rates. Accordingly, the Committee asked the Legislative Council for authority to study ratemaking. The Council approved the Committee's request, and 7 members volunteered to serve as a subcommittee to conduct the study. The subcommittee members were:

Senator Roland L. Sutton, Chairperson

Senator Charlotte Z. Sewall

Representative Mark L. Fitzgerald

Representative Hilda C. Martin

Representative Alfred W. Perkins

Representative Roger M. Pouliot

Representative Norman O. Racine

The subcommittee decided to focus on the concept of "competitive rating." Under current Maine law, workers' compensation premiums take effect only after approval by the Insurance Superintendent. Companies must submit proposed rates along with supporting data to the Superintendent; the rates may not be used until the Superintendent determines that they are correct and proper, taking

into account anticipated claims, expenses, and profits. Essentially, competitive rating would do away with the requirement of prior regulatory approval, freeing companies to set their own rates in accordance with competitive market forces.

The subcommittee held 3 meetings from September to November. At its first meeting, the subcommittee questioned 2 workers' compensation experts who had been specially invited to present the arguments for and against competitive rating. At its second meeting, the subcommittee discussed the assigned risk plan in Maine with a representative of the Northeastern Council of Compensation Insurance, which is a regional rating bureau; it then directed the staff to prepare a draft competitive rating bill for consideration at its third meeting. At its third meeting, the subcommittee reviewed and discussed the draft competitive rating bill prepared by the staff. The Committee later voted 12 to 1 to adopt findings and recommendations made by the subcommittee at its third meeting.

The Committee is grateful for the contributions of the agents, business associations, carriers, and insurance trade associations who participated in the subcommittee's meetings.

FINDINGS AND RECOMMENDATIONS

Competitive rating in workers' compensation has been extensively studied, debated, and discussed around the country by regulators, legislators, and the insurance industry. In brief, proponents view it as a means of promoting competition and efficiency among insurance companies, making rates more responsive to changes in the marketplace, and fostering improved loss control programs through the incentive to reduce claims. In contrast, opponents feel that competitive rating would erode the industry-wide statistical base, increase premiums for many small employers, and de-emphasize loss control and safety programs in favor of front-end price competition.

The National Association of Insurance Commissioners, an association of state regulators, has issued a lengthy report favoring competitive rating in all lines of insurance, including workers' compensation (although the association proposed a special 2-year transition to competitive rating in the case of workers' compensation). The National Association of Independent Insurers' Board of Governors has adopted a resolution supporting competitive rating and expects to propose model legislation shortly. The Alliance of American Insurers, on the other hand, strongly opposes competitive rating and has spoken out frequently against it. The American Insurance Association, another industry association, reports that it is still studying the issue. Two states, Minnesota and Oregon, have adopted one or another form

of competitive rating, while several others (Arizona, Illinois, Michigan, and Wisconsin) are presently considering it.

While competitive rating has existed in many other lines of insurance for a long time, no state has actually tried it in workers' compensation (Minnesota's and Oregon's laws have not yet taken effect). Moreover, comparisons between workers' compensation and other lines in this regard may not be particularly apt, since workers' compensation differs in certain respects from most other lines. Therefore, the results of introducing competitive rating in our workers' compensation system are virtually impossible to predict on the basis of any real experience elsewhere.

Many theoretical arguments are advanced for and against competitive rating in addition to the main ones recited earlier in this section. Unfortunately for the lawmaker, for nearly every point raised on one side of the issue, there is an equally convincing counterpoint on the other. Consequently, neither side's assertions seem clearly compelling.

The problem of escalating premium rates in Maine remains severe. Although the Committee was unable to reach any firm conclusions on the merits of competitive rating, it feels an obligation to preserve as many options for the Legislature's resolution of the rate problem as possible. Therefore, 12 members of the Committee recommend that the legislation attached in the Appendix be introduced and carefully considered by the full Legislature during the current session. The statement of the member who does

not recommend introduction of this legislation is contained
in the Appendix.

STATEMENT OF REPRESENTATIVE PATRICK T. JACKSON, JR.

Maine workers' compensation rates are currently subject to the Insurance Superintendent's prior approval. In my opinion, the burden of persuasion rests on those who would abandon this requirement. The advocates of competitive rating failed to convince me that competitive rating would result in an improvement to our workers' compensation system. At this time, no other state has any experience with competitive rating from which we can predict its results if it were adopted in this State. Therefore, I do not favor spending further time on this proposal by this Committee during the Second Legislative Session.

In regard to pooling of applicants for workers' compensation, I would like to see further work put into the rate structure.

I would further urge the Committee to consider the more basic problem we have in Workers' Compensation rates and not be sidetracked by minor adjustments to the system.

AN ACT to Promote Competitive Pricing in Workers' Compensation Insurance.

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

Sec. 1. 39 MRSA §22 is repealed and replaced with the following:

'§22. Approval of insurance policies.

1. Every insurance company issuing workers' compensation insurance policies covering the payment of compensation and benefits provided for in this Act shall file with the Superintendent of Insurance a copy of the form of the policies and no policy shall be issued until he has approved the form.

Sec. 2. 39 MRSA §§22-A through 22-L are enacted to read:

§22-A. Definitions. The following words shall have the following meanings in sections 22-A through 22-L:

1. "Advisory organization" means any entity which either has two or more member insurers or is controlled either directly or indirectly by two or more insurers and which assists insurers in ratemaking related activities. Two or more insurers having a common ownership or operating in this state under common management or control constitute a single insurer for purpose of this definition.

2. "Base premium" means the amount of premium which an employer would pay for insurance derived by applying rates to an exposure base prior to the application of any merit rating or discount factors.

3. "Classification plan" or "classification" means the plan, system, or arrangement for rating insurance policyholders.

4. "Market" means any reasonable grouping or classification of employers.

5. "Merit rating" means a system or form of rating by which base premium is modified on the basis of loss experience or other factors which are reasonably related to loss or risk of loss and which may be reasonably affected by the action or activities of the insured. The sensitivity of a merit rating system to loss experience may vary by the size of risk. Merit rating shall include both prospective and retrospective methods for modifying base premium.

6. "Pure premium" means the loss cost per unit of exposure plus the loss adjustment expense directly allocated to the settlement of specific losses.

7. "Rating plan" means every manual, and every other rule including discount factors and merit rating necessary for the calculation of an insured's premium from an insurer's rates. An insurer may choose to adopt for use the rating plan of the advisory organization in which it maintains membership.

8. "Superintendent" means the Superintendent of Insurance.

9. "Supplementary rate information" includes any manual or plan or rates, classification, rating rule, and any other similar information needed to determine the applicable rate in effect or to be in effect.

10. "Supporting information" means (i) the experience and judgment of the filer and the experience or data of other insurers or organizations relied upon by the filer, (ii) the interpretation of any statistical data relied upon by the filer and (iii) descriptions of methods used in making the rates, and other similar information required to be filed by the superintendent.

§22-B. Competitive Market

A competitive market is presumed to exist unless the superintendent, after hearing, determines that a reasonable degree of competition does not exist in the market and the superintendent issues a ruling to that effect. Such a rule shall expire no later than one year after issue, unless the superintendent renews the rule after hearing and a finding as to the continued lack of a reasonable degree of competition. In determining whether a reasonable degree of competition exists, the superintendent shall consider relevant tests of workable competition pertaining to market structure, market performance and market conduct and the practical opportunities available to consumers in the market to acquire pricing and other consumer information and to compare and obtain insurance from competing insurers. Such tests may include, but are not limited to, the following: size and number of firms actively engaged in the market; market shares and changes in market shares of firms, ease of entry and exit from a given market, underwriting restriction, whether profitability for companies generally in the market segment is unreasonably high, availability of consumer information concerning the product and sales outlets or other sales mechanisms, and efforts of insurers to provide consumer information. The determination of competition involves the interaction of the various tests and the weight given to specific tests depends upon the particular situation and pattern of test results.

§22-C. Rates standards

1. General. Rates shall not be excessive, inadequate or unfairly discriminatory.

2. Excessiveness. No premium is excessive in a competitive market. A rate in a noncompetitive market is excessive if the expected underwriting profit, together with expected in-

come from invested reserves for the market in question, that would accrue to an insurer would be unreasonably high in relation to the risk undertaken by the insurer in transacting the business, or if expenses are unreasonably high in relation to the services rendered.

3. Inadequacy. Rates are inadequate if, together with the investment income associated with an insurer's workers' compensation insurance business, they are clearly insufficient to sustain projected losses and expenses of the insurer and if their continued use could lead to an insolvent situation for the insurer, or if their use destroys or lessens competition or is likely to destroy or lessen competition.

4. Unfair discrimination. Rates are unfairly discriminatory if differentials for insureds fail to reasonably reflect the differences in expected losses and expenses to the insurer attributable to the insureds. Rates are not unfairly discriminatory solely because different premiums result for insureds with like loss exposures but different expense factors, or like expense factors but different loss exposures, provided that rates reflect the differences with reasonable accuracy.

§22-D. Filing of rates and other rating information.

1. Use and file. In a competitive market, every insurer shall file with the superintendent all rates and supplementary rate information which are to be used in this state. Such rates and supplementary rate information shall be filed not later than 15 days after the effective date.

2. File and use.

A. In a competitive market, if the superintendent finds, after a hearing, that an insurer's rates require closer supervision because of the insurer's financial condition

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or unfairly discriminatory rating practices, the insurer shall file with the superintendent at least 30 days before the effective date, all such rates and such supplementary rate information and supporting information as prescribed by the superintendent. Upon application by the filer, the superintendent may authorize an earlier effective date.

B. In a noncompetitive market, every insurer shall file with the superintendent all rates for that market. For purposes of this section, assigned risk pools operate in noncompetitive markets. For purposes of this section, for a period of 2 years following the effective date of sections 22-A through 22-L, workers' compensation insurance operates in a noncompetitive market. Such rates and supplementary rate information and supporting information required by the superintendent shall be filed at least 30 days before the effective date. Upon application by the filer, the superintendent may authorize an earlier effective date.

3. Manuals and guides. Every insurer shall file with the superintendent all rating manuals and underwriting rules or guides which it uses in this state not later than 15 days after such manuals, rules or guides become effective. Such manuals, rules or guidelines must be adhered to until amended. This paragraph shall not prohibit the use of underwriting judgment provided that such underwriting judgment may not be inconsistent with rules or guides on file.

4. Form of filing. Rates filed pursuant to this subsection shall be filed in such form and manner prescribed by the superintendent.

5. Incomplete filing. For a noncompetitive market, whenever a filing is not accompanied by such information as the superintendent has required under this section, the superintendent shall so inform the insurer as soon as possible and the filing shall not be deemed to be made until the information is furnished.

6. Public inspection. All rates, supplementary rate information and any supporting information for risks filed under this section shall, as soon as filed, be open to public inspection at any reasonable time. Copies may be obtained by any person on request and upon payment of a reasonable charge.

§22-E. Disapproval of rates.

1. Timing of disapproval.

A. A rate may be disapproved at any time subsequent to the effective date.

B. A rate subject to prefiling may also be disapproved before the effective date.

C. A rate for the assigned risk plan in which insurers are mandated by law to participate shall not become effective until approved by the superintendent.

2. Bases of disapproval.

A. The superintendent may disapprove a rate if the insurer fails to comply with the filing requirements.

B. The superintendent shall disapprove a rate for use in a competitive market if he finds that the rate is inadequate or unfairly discriminatory.

C. The superintendent shall disapprove a rate for use in a noncompetitive market if he finds that the rate is excessive, inadequate or unfairly discriminatory.

3. Disapproval procedure.

A. If the superintendent finds that a reasonable de-

gree of competition does not exist in the market he may require that the insurers in that market file supporting information in support of existing rates. If the superintendent believes that such rates may violate any of the requirements of sections 22-A through 22-L he shall call a hearing prior to any disapproval.

B. If the superintendent believes that rates in a competitive market violate the inadequacy or unfair discrimination standard or any other applicable requirement of sections 22-A through 22-L he may require that the insurers in that market file supporting information in support of existing rates. If after reviewing the supporting rate information the superintendent continues to believe that the rates may violate these requirements he shall call a hearing prior to any disapproval.

C. The superintendent may disapprove, without hearing, prefiled rates that have not become effective. However, the insurer whose rates have been disapproved shall be given a hearing upon a written request made within 30 days after the disapproval order.

D. Every insurer or advisory organization shall provide within this state reasonable means whereby any person aggrieved by the application of its rating system may be heard on written request to review the manner in which such rating system has been applied in connection with the insurance afforded or offered. If the insurer or advisory organization fails to grant or reject such request within thirty days, applicant may proceed in the same manner as if the application had been rejected. Any party

affected by the action of such insurer or advisory organization on such request, may within thirty days after written notice of such action, appeal to the superintendent, who, after a hearing held upon not less than ten days' written notice to the appellant and to such insurer or advisory organization, may affirm, modify or reverse such action.

4. Orders. If the superintendent disapproves a rate, the commissioner shall issue an order specifying in what respects it fails to meet the requirements of sections 22-A through 22-L and stating when within a reasonable period thereafter such rate shall be discontinued for any policy issued or renewed after a date specified in the order. The order shall be issued within 30 days after the close of the hearing or within such reasonable time extension as the superintendent may fix. Such order may include a provision for premium adjustment for the period after the effective date of the order for policies in effect on such date.

5. Interim rates. Whenever an insurer has no legally effective rates as a result of the superintendent's disapproval of rates or other act, the superintendent shall on request of the insurer specify interim rates for the insurer that are high enough to protect the interests of all parties and may order that a specified portion of the premiums be placed in an escrow account approved by him. When new rates become legally effective, the superintendent shall order the escrowed funds or any overcharge in the interim rates to be distributed appropriately, except that refunds to policyholders that are de minimis shall not be required.

§22-F. Licensing advisory organizations.

1. License required. No advisory organization shall provide any service relating to rates under sections 22-A through 22-L, and no insurer shall utilize the services of such organization for such purposes unless the organization has obtained a license under this section.

2. Application; duration.

A. An advisory organization applying for a license shall include with its application:

(1) A copy of its constitution, charter, articles of organization, agreement, association or incorporation, and a copy of its bylaws, plan of operation and any other rules or regulations governing the conduct of its business;

(2) A list of its members and subscribers;

(3) The name and address of one or more residents of this state upon whom notices, process affecting it or orders of the superintendent may be served;

(4) A statement showing its technical qualifications for acting in the capacity for which it seeks a license; and

(5) Any other relevant information and documents that the superintendent may require.

B. Every organization which has applied for a license shall notify the superintendent of every material change in the facts or in the documents on which its application was based. Any amendment to a document filed under this section shall be filed at least 30 days before it becomes effective.

C. If the superintendent finds that the applicant and the natural persons through whom it acts are competent,

trustworthy, and technically qualified to provide the services proposed, and that all requirements of law are met, he shall issue a license specifying the authorized activity of the applicant. He shall not issue a license if the proposed activity would tend to create a monopoly or to substantially lessen competition in the market.

D. Licenses issued pursuant to this section shall remain in effect until the licensee withdraws from the state or until the license is suspended or revoked. The superintendent may at any time, after hearing, revoke or suspend the license of an advisory organization which does not comply with the requirements and standards of sections 22-A through 22-L.

§22-G. Anti-competitive conduct.

1. Monopolization. No insurer or advisory organization shall attempt to monopolize or combine or conspire with any other person to monopolize the business of insurance.

2. Agreement prohibited. No insurer shall agree with any other insurer or with an advisory organization to adhere to or to use any rate, rating plan, rating schedule, rating rule, or underwriting rule except as specifically authorized by this section.

3. Trade restraint. No insurer or advisory organization shall make an agreement with any other insurer, advisory organization, or other person which has the purpose or the effect of restraining trade unreasonably or of substantially lessening competition.

4. Exemptions.

A. The fact that two or more insurers, whether or not members or subscribers of an advisory organization, use consistently or intermittently, the same rates, rating plans, rating schedules, rating rules, policy forms, rate classifications, rate territories, underwriting rules, surveys or inspections or similar materials is not sufficient in itself to support a finding that an agreement exists, and may be used only for the purpose of supplementing or explaining direct evidence of the existence of any such agreement.

B. Two or more insurers under common ownership or operating under common management or control may act in concert between or among themselves with respect to matters authorized under sections 22-A through 22-L as if they constituted a single insurer, provided that the rating plan of such insurers shall be considered to be a single plan for the purposes of determining unfair discrimination.

§22-H. Advisory organizations: prohibited, required, and permitted activity.

1. Prohibited activity. In addition to other prohibitions contained in sections 22-A through 22-L, no advisory organization shall:

A. Refuse to supply any service for which it is licensed or any data, except for data identifiable to an individual insurer, to any insurer authorized to do business in this state which offers to pay the usual compensation for the service or data;

B. Require the purchase of any specific service as a condition to obtaining any other services sought;

C. Participate in the development or distribution of rates, rating plans, or rating rules except as specifically authorized by sections 22-A through 22-L; or

D. Refuse membership to any licensed insurer.

2. Required activity. Every advisory organization shall perform the following:

A. File statistical plans, including classification definitions, amendments to the plans, and definitions, with the superintendent for approval, and assign each compensation risk written by its members to its approved classification for reporting purposes;

B. Establish requirements for data reporting and monitoring methods to maintain a high quality data base;

C. Collect, compile, summarize, and distribute data from members or other sources pursuant to a statistical plan approved by the superintendent;

D. Prepare merit rating plan and calculate any variable factors necessary for utilization of the plan. Such a plan may be used by any of its members, at the option of the member provided that the application of a plan shall not result in rates that are unfairly discriminatory.

E. Provide loss data specific to an insured to the insured at a reasonable cost;

F. Distribute information to an insured or interested party that is filed with the superintendent and is open to public inspection; and

G. Assess its members for operating expenses on a fair and equitable basis.

3. Permitted activity. In addition to any other activities not prohibited by sections 22-A through 22-L, any advisory

organization may:

- A. Collect and analyze data in order to investigate, identify, and classify information relating to causes or prevention of losses;
- B. Make inspections for the sole purpose of reporting and maintaining data quality;
- C. Contract with another advisory organization to fulfill any of the above requirements;
- D. Prepare and file with the superintendent a rating plan for use by any of its members, provided that no member may be required to use any part of the plan;
- E. Prepare and distribute pure premium data, adjusted for loss development and loss trending, in accordance with its statistical plans. For a period of two years following the effective date of sections 22-A through 22-L, advisory organizations may prepare and distribute rates including expenses and profits; and
- F. Prepare and administer an assigned risk plan in accordance with section 22-K.

§22-I. Insurers: required and permitted activity.

1. Required activity. Each insurer shall perform the following activities:

- A. Maintain membership in and report loss experience data to a licensed advisory organization in accordance with the statistical plan and rules of the organization as approved by the superintendent;
- B. Establish a plan for merit rating which shall be consistently applied to all insureds, provided that members of an advisory organization may use merit rating plans developed by that organization;

C. Provide an annual report to the superintendent containing the information and prepared in the form required by the superintendent; and

D. Keep a record of the premiums and losses paid under each workers' compensation policy written in this state in the form required by the superintendent; and

E. Participate as a servicing insurer in an assigned risk plan in accordance with section 22-K.

2. Permitted activity. In addition to any other activities not prohibited by sections 22-A through 22-L, insurers may:

A. Through licensed advisory organizations, individually, or with insurers commonly owned, managed, or controlled, conduct research and collect statistics to investigate, identify, and classify information relating to causes or prevention of losses;

B. Develop and use classification plans and rates based upon any reasonable factors; and

C. Develop rules for the assignment of risks to classifications.

§22-J. Examinations

1. Right to examine. The commissioner may examine any insurer, pool, advisory organization or residual market mechanism as he deems necessary to ascertain compliance with this Act.

2. Records. Every insurer assigned risk pool, and advisory organization shall maintain reasonable records of the type and kind reasonably adapted to its method of operation containing its experience or the experience of its members including the data, statistics or information collected or used by it in its activities. These records shall be available at

all reasonable times to enable the superintendent to determine whether the activities of any advisory organization, insurer or plan comply with the provisions of sections 22-A through 22-L. Such records shall be maintained in an office within this State or shall be made available to the superintendent for examination or inspection at any time upon reasonable notice.

3. Cost. The reasonable cost of an examination made pursuant to this section shall be paid by the examined party upon presentation to it of a detailed account of such costs.

4. Other status. In lieu of any such examination the superintendent may accept the report of an examination made by the insurance supervisory official of another state, pursuant to the laws of such state.

§22-K. Assigned risk plan.

1. Administration. The superintendent shall appoint a licensed advisory organization to administer the assigned risk plan. The appointed advisory organization shall submit to the superintendent for approval a plan and rules for administering the assigned risk plan, including a method or formula by which the organization is to be paid for administrative services.

2. Rejection; notice. An insurer that refuses to write insurance for an applicant shall furnish the applicant a written notice of refusal and shall file a copy of the notice of refusal with the advisory organization appointed pursuant to subsection 1. Servicing insurers designated pursuant to subsection 3 shall accept and insure any applicant for workers' compensation insurance assigned pursuant to subsection 3.

3. Assignment. An insurer or insurers shall be designated by the advisory organization appointed pursuant to subsection 1 to issue a policy of workers' compensation insurance to an ap-

plicant which has been refused insurance. A policy shall contain the usual and customary provisions of workers' compensation insurance policies, but for which undertaking all insurers doing workers' compensation business in this state shall be reinsurers among themselves in the amount which the compensation insurance written in this state during the preceding calendar year by each insurer bears to the total compensation insurance written in this state during that calendar year by all insurers.

An insurer that issues a policy pursuant to this section shall receive an expense allowance which shall be adequate for services rendered, as approved by the superintendent.

4. Assigned risk rates. Insureds served by the workers' compensation insurance assigned risk plan shall be charged premiums based upon a rating plan, rates, and a merit rating plan adopted by the superintendent by rule. This rating plan shall include a feature by which rates shall vary in relation to the number or proportion of insureds in the assigned risk plan in the preceding calendar year. The relationship shall be such that assigned risk rates shall vary upward as the number or proportion of insureds in the assigned risk plan decreases and downward as the number or proportion increases. Assigned risk premiums shall not be lower than the rates generally charged by insurers for the business.

§22-L. Penalties.

The superintendent may, if he finds that any person or organization has violated any provision of sections 22-A through 22-L, impose a penalty of not more than one thousand dollars (\$1,000) for each such violation, but if he finds such violation to be wilful he may impose a penalty of not more than ten

thousand dollars (\$10,000) for each such violation. Such penalties may be in addition to any other penalty provided by law.

For purposes of this section, any insurer using a rate for which the insurer has failed to file the rate, supplementary rate information, underwriting rules or guides, or supporting information, as required by sections 22-A through 22-K, shall have committed a separate violation for each day such failure continues.

The superintendent may suspend or revoke the license of any advisory organization or insurer which fails to comply with an order of the superintendent within the time limited by such order, or any extension thereof which the superintendent may grant.

The superintendent may determine when a suspension of license shall become effective and it shall remain in effect for the period fixed by him, unless he modifies or rescinds such suspension, or until the order upon which such suspension is based is modified, rescinded or reversed.

No penalty shall be imposed and no license shall be suspended or revoked except upon a written order of the superintendent, stating his findings, made after hearing.