

SENATE BILL 962

K1, C4

3lr2514
CF 3lr3288

By: **Senator Klausmeier**

Introduced and read first time: February 15, 2013

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Chesapeake Employers' Insurance Company – Rate Regulation**

3 FOR the purpose of subjecting the Chesapeake Employers' Insurance Company to rate
4 regulation under a certain competitive rating law; requiring the Company, the
5 Maryland Insurance Administration, and a certain rating organization jointly to
6 develop a certain plan to transition the Company through a phased-in approach
7 to become a fully affiliated member of a certain rating organization beginning
8 on a certain date; establishing requirements for the transition plan; providing
9 for a delayed effective date for certain provisions of this Act; defining a certain
10 term; and generally relating to rate regulation of the Company.

11 BY repealing and reenacting, with amendments,
12 Article – Insurance
13 Section 11–303
14 Annotated Code of Maryland
15 (2011 Replacement Volume and 2012 Supplement)
16 (As enacted by Chapter 570 of the Acts of the General Assembly of 2012)

17 BY repealing
18 Article – Insurance
19 Section 24–305
20 Annotated Code of Maryland
21 (2011 Replacement Volume and 2012 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That the Laws of Maryland read as follows:

24 **Article – Insurance**

25 11–303.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) Notwithstanding Subtitle 2 of this title, this subtitle applies to the
2 establishment of rates for all types of insurance except:

3 (1) life insurance;

4 (2) annuities;

5 (3) health insurance;

6 (4) marine insurance described in § 11–202(b)(2) of this title;

7 (5) aircraft insurance described in § 11–202(b)(3) of this title;

8 (6) reinsurance;

9 (7) insurance provided under the Maryland Automobile Insurance
10 Fund;

11 (8) [insurance provided under the Chesapeake Employers' Insurance
12 Company;

13 (9)] title insurance;

14 [(10)] (9) medical malpractice insurance;

15 [(11)] (10) any form or plan of insurance regulated under § 27–217 of
16 this article; and

17 [(12)] (11) surety insurance.

18 (b) If and to the extent that the Commissioner finds that the application of
19 any or all of the provisions of this subtitle is unnecessary to achieve the purposes of
20 this subtitle, the Commissioner by rule may exempt a person or class of persons or a
21 line or lines of insurance from any or all of those provisions.

22 [24–305.

23 (a) The Company is not subject to Title 11 of this article.

24 (b) The Board shall:

25 (1) adopt a schedule of premium rates in accordance with sound
26 actuarial practices; and

27 (2) ensure that the rates are not excessive, inadequate, or unfairly
28 discriminatory.

1 (c) (1) The Board shall determine the schedule of premium rates by:

2 (i) classifying all of the policyholders of the Company on the
3 basis of the respective level of hazard of their enterprises; and

4 (ii) setting a premium rate for each class on the basis of:

5 1. its level of hazard; and

6 2. incentives to prevent injuries to employees.

7 (2) To determine the schedule of premium rates, the Board shall use
8 the rating system that, in the opinion of the Board:

9 (i) most accurately measures the level of hazard for each
10 policyholder on the basis of the number of injuries that occur in the enterprises of the
11 policyholder;

12 (ii) encourages the prevention of injuries; and

13 (iii) ensures the solvency of the Company from year to year.

14 (3) The Board may set minimum premium rates for policies issued by
15 the Company.

16 (d) The Commissioner shall review the Company's rates as part of an
17 examination under § 2-205 of this article to determine whether the Company's rate
18 making practices produce actuarially sound rates.]

19 SECTION 2. AND BE IT FURTHER ENACTED, That:

20 (a) In this section, "Company" means the Chesapeake Employers' Insurance
21 Company.

22 (b) The Company, the Maryland Insurance Administration, and the rating
23 organization designated by the Company under Title 11, Subtitle 3 of the Insurance
24 Article jointly shall develop a plan to transition the Company through a phased-in
25 approach to become a fully affiliated member of the rating organization beginning
26 January 1, 2019.

27 (c) The plan shall:

28 (1) require the Company to use a point forward reporting approach in
29 reporting unit statistical data to the rating organization;

1 (2) beginning with calendar year 2015 unit statistical data, require the
2 Company to report unit statistical data to the rating organization in the manner that
3 the rating organization requires;

4 (3) require that at least 3 full calendar years of unit statistical data be
5 reported to the rating organization prior to the Company becoming a fully affiliated
6 member of the rating organization;

7 (4) take into consideration ways to minimize the Company's expenses
8 relating to the reporting of unit statistical data to the rating organization during the
9 phase-in period;

10 (5) allow for the maximum time for the Company to program its
11 systems to comply in the manner that the rating organization requires for the
12 reporting of unit statistical data; and

13 (6) specify ways to lessen the impact of transitioning the Company's
14 insureds from the Company's current experience rating system to the rating
15 organization's uniform experience rating plan, including the development of
16 subclassifications of the uniform classification plan and a merit rating plan.

17 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
18 take effect January 1, 2019.

19 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in
20 Section 3 of this Act, this Act shall take effect October 1, 2013.