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§11–306.

(a) The standards set forth in this section apply to the making and use of rates under this subtitle.

(b) (1) Rates may not be:

(i) excessive or inadequate, as defined under this subtitle; or

(ii) unfairly discriminatory.

(2) Except as provided in paragraph (4) of this subsection, a rate may not be held to be excessive unless:

(i) the rate is unreasonably high for the insurance provided; and

(ii) the Commissioner has issued a ruling under § 11-308(c) of this subtitle that a reasonable degree of competition does not exist in a market to which the rate is applicable.

(3) A rate may not be held to be inadequate unless:

(i) the rate is unreasonably low for the insurance provided and continued use of the rate would endanger the solvency of the insurer; or

(ii) the rate is unreasonably low for the insurance provided and the use of the rate by the insurer has had, or if continued will have, the effect of destroying competition or of creating monopoly.

(4) For personal lines property insurance and casualty insurance, the Commissioner may hold a statewide rate or a rate in a particular jurisdiction or geographic territory to be excessive without determining whether a reasonable degree of competition exists under § 11-308(c) of this subtitle if the Commissioner determines that the rate:

(i) is unreasonably high for the insurance provided; and

(ii) is not actuarially justified based on commonly accepted actuarial principles.

(5) If the Commissioner determines that a rate is excessive under paragraph (4) of this subsection and disapproves the rate, the disapproval is subject to § 11-308(c)(4), (d), and (e) of this subtitle.

(c) In determining whether rates comply with the standards set forth in

subsection (b) of this section, due consideration shall be given to:

(1) past and prospective loss experience within and outside the State;

(2) conflagration or catastrophe hazards;

(3) a reasonable margin for underwriting profit and contingencies;

(4) dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers;

(5) past and prospective expenses, both countrywide and those specially applicable to the State;

(6) investment income earned or realized by insurers both from their unearned premium and from their loss reserve funds; and

(7) all relevant factors within and outside the State.

(d) The systems of expense provisions included in the rates for use by an insurer or group of insurers may differ from those of other insurers or groups of insurers to reflect the requirements of the operating methods of the insurer or group of insurers with respect to a kind of insurance, or with respect to a subdivision or combination of insurance for which separate expense provisions are applicable.

(e) (1) Risks may be grouped by classifications for the establishment of rates and minimum premiums.

(2) Classification rates may be modified to produce rates for individual risks in accordance with rating plans that establish standards for measuring variations in hazards or expense provisions, or both.

(3) The standards may measure any difference among risks that have had a direct and substantial effect on losses or expenses.

(4) Notwithstanding any other provision of this subsection, a rate may not be based wholly or partly on geographic area itself, as opposed to underlying risk considerations, even though expressed in geographic terms.

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