

---

**By: Senator Astle**

Introduced and read first time: February 2, 1996

Assigned to: Finance

---

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 20, 1996

---

CHAPTER \_\_\_\_

1 AN ACT concerning

**2 Health Maintenance Organizations and Insurers - Rates and Contracts**

3 FOR the purpose of providing that the Insurance Commissioner shall review certain  
4 filings by health maintenance organizations; providing grounds for disapproval of a  
5 filing; providing that the Insurance Commissioner shall ~~send~~ provide to certain filers  
6 certain notice of disapproval; providing for the future codification of certain  
7 provisions of this Act; and generally relating to health maintenance organizations,  
8 insurers, and rates and contracts.

9 BY repealing and reenacting, with amendments,  
10 Article 48A - Insurance Code  
11 Section 376(a)  
12 Annotated Code of Maryland  
13 (1994 Replacement Volume and 1995 Supplement)

14 BY repealing and reenacting, with amendments,  
15 Article - Health - General  
16 Section 19-713  
17 Annotated Code of Maryland  
18 (1990 Replacement Volume and 1995 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article - Insurance  
21 Section 12-205(a)  
22 Annotated Code of Maryland  
23 (1995 Volume)  
24 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

2

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

3 **Article 48A - Insurance Code**

4 376.

5 (a) (1) The Commissioner shall disapprove any form filed under § 375 of this  
6 subtitle or withdraw any previous approval if the forms do not meet the requirements of  
7 subsection (b) of this section. Furthermore, the Commissioner may set forth reasonable  
8 rules and regulations consistent with the requirements of subsection (c) of this section in  
9 order to establish minimum benefits and coverages as may be required.

10 (2) IF THE COMMISSIONER, UNDER PARAGRAPH (1) OF THIS  
11 SUBSECTION, DISAPPROVES OR WITHDRAWS APPROVAL OF A FORM, THE  
12 COMMISSIONER SHALL PROVIDE THE FILER OF THE FORM WITH:

13 (I) A STATUTORY OR REGULATORY BASIS FOR THE DISAPPROVAL  
14 OR WITHDRAWAL OF APPROVAL; AND

15 (II) AN EXPLANATION OF THE APPLICATION OF THE STATUTORY  
16 OR REGULATORY BASIS FOR THE DISAPPROVAL OR WITHDRAWAL OF APPROVAL.

17 **Article - Health - General**

18 19-713.

19 (a) Each health maintenance organization shall file with the Commissioner,  
20 before they become effective:

21 (1) All rates that the health maintenance organization charges subscribers  
22 or groups of subscribers; and

23 (2) The form and content of each contract between the health maintenance  
24 organization and its subscribers or groups of subscribers.

25 (b) Rates of a health maintenance organization may not be excessive, inadequate,  
26 or unfairly discriminatory in relation to the services offered.

27 (c) (1) If, at any time, a health maintenance organization wishes to amend any  
28 contract with its subscribers or change any rate charged, the health maintenance  
29 organization shall file with the Commissioner the number of copies of the amendment or  
30 rate change that the Commissioner requires.

31 (2) The Commissioner shall provide the Department with the number of  
32 copies it requires.

33 (D) THE COMMISSIONER SHALL COORDINATE THE CONTRACT AND RELATED  
34 RATE FILING REVIEW UNDER THIS SECTION.

35 (E) (1) IF WITHIN 60 DAYS AFTER A FILING MADE PURSUANT TO THIS  
36 SECTION, THE COMMISSIONER FINDS THE FILING DOES NOT MEET THE  
37 REQUIREMENTS OF SUBSECTION (F) OF THIS SECTION, HE SHALL SEND THE FILER  
38 NOTICE OF DISAPPROVAL SPECIFYING IN WHAT RESPECTS THE COMMISSIONER

3

1 FINDS THAT THE FILING FAILS TO MEET THE REQUIREMENTS OF THIS SECTION AND  
2 STATING THAT THE FILING SHALL NOT BECOME EFFECTIVE.

3 (2) THE COMMISSIONER MAY NOT ISSUE A NOTICE OF DISAPPROVAL OF  
4 A FILING UNDER SUBSECTION (F) OF THIS SECTION WITHOUT A STATUTORY OR  
5 REGULATORY BASIS FOR THE DISAPPROVAL AND AN EXPLANATION OF THE  
6 APPLICATION OF THE STATUTORY OR REGULATORY BASIS WHICH RESULTED IN  
7 THE DISAPPROVAL.

8 (F) THE COMMISSIONER SHALL DISAPPROVE ANY FORM FILED, OR  
9 WITHDRAW ANY PREVIOUS APPROVAL, IF THE FORM:

10 (1) IS IN ANY RESPECT IN VIOLATION OR DOES NOT COMPLY WITH THIS  
11 ARTICLE OR APPLICABLE REGULATIONS;

12 (2) CONTAINS, OR INCORPORATES BY REFERENCE, ANY INCONSISTENT  
13 OR INCONSISTENT OR INAPPLICABLE CLAUSES, EXCEPTIONS, OR CONDITIONS  
14 WHICH AFFECT THE RISK PURPORTED TO BE ASSUMED IN THE GENERAL COVERAGE  
15 OF THE CONTRACT;

16 (3) HAS ANY TITLE, HEADING, OR OTHER INDICATION OF ITS  
17 PROVISIONS WHICH IS LIKELY TO MISLEAD THE SUBSCRIBER OR MEMBER;

18 (4) INCLUDES PROVISIONS THAT ARE INEQUITABLE, OR PROVISIONS  
19 THAT LACK ANY SUBSTANTIAL BENEFIT TO THE SUBSCRIBER OR MEMBER;

20 (5) IS PRINTED OR OTHERWISE REPRODUCED IN A MANNER AS TO  
21 RENDER ANY PROVISION OF THE FORM SUBSTANTIALLY ILLEGIBLE; OR

22 (6) PROVIDES BENEFITS THAT ARE UNREASONABLE IN RELATION TO  
23 THE PREMIUM CHARGED.

24 [(d)] (G) Unless the Commissioner disapproves a filing under this section, the  
25 filing becomes effective 60 days after the office of the Commissioner receives the filing or  
26 on any other date that the Commissioner sets.

27 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
28 read as follows:

29 Article - Insurance

30 12-205.

31 (a) (1) The Commissioner shall disapprove a form or withdraw the previous  
32 approval of a form filed under § 12-203 of this subtitle if the form does not meet the  
33 requirements of subsection (b) of this section.

34 (2) The order of disapproval or withdrawal of approval shall inform the  
35 insurer [in reasonable detail of the Commissioner's grounds for the action] OF:

36 (I) A STATUTORY OR REGULATORY BASIS FOR THE DISAPPROVAL  
37 OR WITHDRAWAL OF APPROVAL; AND

1                                    (II) AN EXPLANATION OF THE APPLICATION OF THE STATUTORY  
2 OR REGULATORY BASIS FOR THE DISAPPROVAL OR WITHDRAWAL OF APPROVAL.

3                    SECTION ~~2~~ 3, AND BE IT FURTHER ENACTED, That Section 1 of this Act  
4 shall take effect October 1, 1996.

5                    SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act  
6 shall take effect October 1, 1997.