
By: Senators Della, Stone, and Hollinger

Introduced and read first time: January 17, 1997

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 Insurance - Competitive Rating - Excessive Rates - Refunds of Premiums

3 FOR the purpose of authorizing the Maryland Insurance Commissioner to order a certain
4 refund, including interest, after disapproving a rate that is determined to be
5 excessive; and generally relating to the authority of the Commissioner to regulate
6 insurance rates.

7 BY repealing and reenacting, without amendments,
8 Article - Insurance
9 Section 11-306(b)(2)
10 Annotated Code of Maryland
11 (1995 Volume and 1996 Supplement)
12 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of 1997)

13 BY repealing and reenacting, with amendments,
14 Article - Insurance
15 Section 11-308(c)
16 Annotated Code of Maryland
17 (1995 Volume and 1996 Supplement)
18 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of 1997)

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

21 **Article - Insurance**

22 11-306.

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

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

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

2

1 11-308.

2 (c) (1) (i) At a hearing to determine compliance with § 11-306(b)(2) of this
3 subtitle, the Commissioner first shall determine whether a reasonable degree of
4 competition exists within a market and shall issue a ruling to that effect.

5 (ii) All insurers that operate within a market that is subject to a
6 determination by the Commissioner under this paragraph shall have the burden of
7 establishing that a reasonable degree of competition exists within that market.

8 (iii) In determining the competitiveness of a market, the Commissioner
9 shall consider all relevant factors including:

- 10 1. the number of insurers actively engaged in providing
11 coverage in the market;
- 12 2. market shares;
- 13 3. changes in market shares; and
- 14 4. ease of entry.

15 (2) (i) If the Commissioner determines that a reasonable degree of
16 competition does not exist in a market, each insurer designated by the Commissioner
17 shall have the burden of justifying its rate in that market.

18 (ii) The Commissioner may require that an insurer file supporting data
19 as provided under § 11-312 of this subtitle.

20 (3) The Commissioner shall make each determination on the basis of
21 findings of fact and conclusions of law.

22 (4) If the Commissioner disapproves a rate:

23 (i) the disapproval may not take effect until at least 15 days after the
24 date of the order of disapproval; and

25 (ii) unless the Commissioner approves a rate under subsection (d) or
26 (e) of this section, the last previous rate in effect for the insurer shall be reimposed for a
27 period of 1 year.

28 (5) (I) IF THE COMMISSIONER DISAPPROVES A RATE UNDER
29 PARAGRAPH (4) OF THIS SUBSECTION, THE COMMISSIONER MAY ORDER THE
30 INSURER TO REFUND THE EXCESSIVE PORTION OF PREMIUMS COLLECTED FOR A
31 PERIOD NOT EXCEEDING 1 YEAR PRIOR TO THE EFFECTIVE DATE OF THE
32 DISAPPROVAL.

33 (II) IF A REFUND IS ORDERED UNDER SUBPARAGRAPH (I) OF THIS
34 PARAGRAPH, THE COMMISSIONER MAY ORDER THE INSURER TO PAY INTEREST AT
35 A RATE SET BY THE COMMISSIONER.

36 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
37 October 1, 1997.