

SENATE BILL 930

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By: **Senator Kittleman**

Introduced and read first time: February 23, 2007

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Workers' Compensation Insurance – Adjustments to Experience Rating Plans**

3 FOR the purpose of providing that a prospective premium adjustment to a workers'
4 compensation insurance experience rating plan may not be based on a certain
5 claim paid for injuries caused by the negligence of a certain third party under
6 certain circumstances; and generally relating to adjustments to workers'
7 compensation experience rating plans.

8 BY repealing and reenacting, with amendments,

9 Article – Insurance

10 Section 11–329

11 Annotated Code of Maryland

12 (2003 Replacement Volume and 2006 Supplement)

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

15 **Article – Insurance**

16 11–329.

17 (a) Each workers' compensation insurer shall:

18 (1) be a member of a workers' compensation rating organization; and

19 (2) adhere to the policy forms filed by the rating organization.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (b) (1) Each workers' compensation insurer shall adhere to a uniform
2 classification system and uniform experience rating plan filed with the Commissioner
3 by a rating organization designated by and subject to disapproval by the
4 Commissioner.

5 (2) (i) An insurer may develop subclassifications of the uniform
6 classification system on which a rate may be made.

7 (ii) Any subclassification developed under subparagraph (i) of
8 this paragraph shall be filed with the Commissioner at least 30 days before its use.

9 (iii) If the insurer fails to demonstrate that the data produced
10 under a subclassification can be reported in a manner consistent with the uniform
11 classification system and uniform statistical plan, the Commissioner shall disapprove
12 the subclassification.

13 (c) Each workers' compensation insurer shall record and report its workers'
14 compensation experience to a rating organization as set forth in the uniform statistical
15 plan approved by the Commissioner.

16 (d) (1) Subject to the approval of the Commissioner, each rating
17 organization shall develop and file rules reasonably related to the recording and
18 reporting of data under the uniform classification system, uniform statistical plan, and
19 uniform experience rating plan.

20 (2) In writing and reporting its business, each workers' compensation
21 insurer shall adhere to the approved rules and experience rating plan.

22 (3) An insurer may not agree with another insurer or rating
23 organization to adhere to rules that are not reasonably related to the recording and
24 reporting of data under the uniform classification system or uniform statistical plan.

25 (e) The experience rating plan methodology required under § 11-330(d)(4) of
26 this subtitle shall be based on:

27 (1) reasonable eligibility standards;

28 (2) adequate incentives for loss prevention; and

29 (3) sufficient premium differentials so as to encourage safety.

1 (f) (1) Except as provided in paragraph (2) of this subsection, **AND**
2 **SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION**, the uniform experience rating
3 plan shall be the exclusive means of providing prospective premium adjustment based
4 on measurement of the loss-producing characteristics of an individual insured.

5 (2) In addition to any premium adjustment allowed under paragraph
6 (1) of this subsection and pursuant to a filing made by a rating organization and
7 approved by the Commissioner, an insurer may file a rating plan with the
8 Commissioner that provides for prospective premium adjustments up to 25% based
9 upon characteristics of a risk that are not reflected in the uniform experience rating
10 plan.

11 **(3) A PROSPECTIVE PREMIUM ADJUSTMENT TO A RATING PLAN**
12 **ALLOWED UNDER PARAGRAPH (1) OR (2) OF THIS SUBSECTION MAY NOT BE**
13 **BASED ON A CLAIM PAID FOR INJURIES CAUSED BY THE NEGLIGENCE OF A**
14 **THIRD PARTY FOR WHICH THERE IS A RECOVERY FROM THAT THIRD PARTY OR**
15 **FROM THE THIRD PARTY'S INSURER.**

16 [(3)] (4) An insurer may file a rating plan that provides for
17 retrospective premium adjustments based on an insured's past experience.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 2007.