

§2382. Rate standards

The following standards apply to the making and the use of rates under this Act. [PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

1. Rates. Rates may not be excessive, inadequate, or unfairly discriminatory. [PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

2. Excessive rates. Voluntary and residual market rates are subject to the following.

A. Rates in the voluntary market are not excessive. [PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

B. Rates in the residual market are excessive if they are likely to produce a long-term profit that is unreasonably high for the insurance provided and for surplus requirements or if expenses are unreasonably high in relation to services rendered. [PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

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3. Inadequate rates. A rate is not inadequate unless insufficient to sustain projected losses and expenses and the use of the rate has had a tendency to create a monopoly or, if continued, will tend to create a monopoly in the market or will cause serious financial harm to the insurer.

[PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

4. Unfair discrimination. Unfair discrimination exists if, after allowing for practical limitations, price differentials fail to reflect equitably the differences in expected losses and expenses. A rate is not unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expenses, or like expenses but different loss exposures, so long as the rate reflects the differences with reasonable accuracy.

[PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

5. Determination of compliance. Determination of compliance with standards for rate factors, expenses and profits is as follows.

A. In determining whether rates comply with standards under this section, due consideration may be given to:

- (1) Past and prospective loss and expense experience within and outside of the State;
- (2) Catastrophe hazards and contingencies;
- (3) Loadings for leveling premium rates over time;
- (4) Dividends or savings to be allowed or returned by insurers to their policyholders, members or subscribers; and
- (5) Past and prospective expenses, both countrywide and those specifically applicable to the State. [PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

B. The expense provisions included in the rates to be used by an insurer must reflect the operating methods of the insurer, and, so far as credible, its own actual and anticipated expense experience. [PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

C. Rates may contain provision for contingencies and allowance permitting a reasonable profit. In determining the reasonableness of profit, consideration must be given to all investment income attributable to premiums, the reserves associated with those premiums and the amount of capital and surplus allocable to the coverage of risks in the State. [PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

[PL 1991, c. 885, Pt. B, §12 (NEW); PL 1991, c. 885, Pt. B, §13 (AFF).]

SECTION HISTORY

PL 1991, c. 885, §B12 (NEW). PL 1991, c. 885, §B13 (AFF).

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