

TITLE 4: ECONOMIC RESOURCES
DIVISION 1: REVENUE AND TAXATION

§ 7615. Method of Rate Making; Factors Considered; Rules.

The following standards shall apply to the making and use of rates:

(a) Rates shall not be excessive, inadequate, or unfairly discriminatory.

(b) As to all classes of insurance, other than workers' compensation and title insurance:

(1) No rate shall be held to be excessive unless:

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

and

(ii) A reasonable degree of competition does not exist in the area with respect to the classification to which such rate is applicable.

(2) No rate shall be held inadequate unless such rate is unreasonably low for the insurance provided and:

(i) Use or continued use of such rate endangers the solvency of the insurer; or

(ii) The use of such rate by the insurer has, or if continued will have, the effect of destroying competition or creating a monopoly.

(c) Rates for each classification of coverage shall be based on the claims experience of insurers within the Commonwealth on that classification of coverage unless that experience provides an insufficient base for actuarially sound rates.

(d) Due consideration shall be given to past and prospective loss experience within the Commonwealth, to the hazards of conflagration and catastrophe, to a reasonable margin for profit and to contingencies, to dividends, savings or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers, to past and prospective expenses specially applicable to the Commonwealth, and to all other relevant factors, including judgment factors deemed relevant, within the Commonwealth.

(e) The systems of expense provisions included in the rates for use by any 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 any such insurer or group of insurers with respect to any class of insurance, or with respect to any subdivision or combination thereof for which subdivision or combination separate expenses are applicable.

(f) The Commissioner shall adopt rules to carry out the provisions of this section and may by rule specify further procedures relating to rates and ratemaking not inconsistent with this chapter.

(g) A rate increase based solely upon an insured's attaining or exceeding 65 years of age shall be presumed to be unfairly discriminatory unless the increase is clearly based on sound actuarial principles or is related to actual or reasonably anticipated experience.

(h) Notwithstanding any other provision of this chapter, health insurance premium rates in the non-grandfathered individual and small group market may vary only by coverage tier, number of dependents, geographic region, age, and

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tobacco use; preexisting conditions exclusions and rates based solely on health status shall be presumed to be unfairly discriminatory.

(i) Notwithstanding any other provision of this chapter, annual lifetime coverage limits shall not be allowed under any contract executed under individual and small group plans for the provision of health insurance in the Commonwealth with the exception of grandfathered individual policies and benefits which are not Essential Health Benefits as defined in 45 CFR § 156.20.

(j)(1) Notwithstanding any other provision of this chapter, every insurer shall report Medical Loss Ratios, and spend a minimum of 85 percent of health insurance premiums for large group coverage, and 80 percent for individual and small group coverage, on medical care, rather than other items such as administrative and overhead costs; An issuer who fails to comply with this subsection shall issue rebates.

(2) Health insurance issuers shall submit the medical loss ratio reports as described in [4 CMC § 7615\(j\)\(1\)](#) to the office of the Insurance Commissioner for plan year 2012, 2013, 2014 and 2015 within four months of the effective date of this Act.

Source: [PL 18-34](#) § 5(7615) (Feb. 14, 2014), modified; [PL 19-56](#) § 7 (July 27, 2016), modified.

Commission Comment: The Commission corrected the designation of subsections pursuant to [1 CMC § 3806\(a\)](#). The Commission inserted a comma after the word “inadequate” in subsection (a) pursuant to [1 CMC § 3806\(g\)](#).

[PL 19-56](#) included stricken out and uncodified language at § 7.

The Commission renumbered (j) as (j)(1) and numbered [PL 19-56](#) § 7(c) as (j)(2) pursuant to [1 CMC § 3806\(a\)](#). The Commission changed the reference number “[4 CMC § 7615\(j\)](#)” in (j)(2) to “[4 CMC § 7615\(j\)\(1\)](#)” to agree with the renumbered subsection pursuant to [1 CMC § 3806\(c\)](#).