

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

S

1

SENATE BILL 1018

Short Title: Health Care Provider Prof. Liab. Ins. Changes. (Public)

Sponsors: Senators Berger, Clodfelter; Hartsell, Horton, and Kinnaird.

Referred to: Select Committee on Insurance and Civil Justice Reform.

April 3, 2003

A BILL TO BE ENTITLED

AN ACT TO REQUIRE CERTAIN PROFESSIONAL LIABILITY INSURERS TO USE EXPERIENCE AND SCHEDULE RATING PLANS AND TO ESTABLISH PREMIUM STABILIZATION ACCOUNTS TO MOLLIFY SEVERE MARKET CYCLE CHANGES CAUSED BY DECREASES IN INVESTMENT INCOME.

The General Assembly of North Carolina enacts:

SECTION 1. Article 41 of Chapter 58 of the General Statutes is amended by adding two new sections to read:

"§ 58-41-52. Health care provider professional liability insurance rating.

(a) As used in this section, "health care provider" has the same meaning as in G.S. 90-21.11.

(b) Every insurer, self-insurer, and risk retention group that provides professional liability insurance to health care providers in this State shall use experience rating plans and, for risks that lack statistically credible experience, schedule rating plans.

(c) Experience rating plans may apply to the hospital professional liability, physician and surgeon professional liability, other professional liability, and general liability experience of a health care facility or an affiliated group of health care providers that includes at least one health care facility. The experience of all members of an affiliated group of health care providers may be combined to establish an experience rating applicable to the group. The experience modification so established is uniformly applied to all participating members.

(d) The experience modification shall apply to the manual premium that is paid by the insured. In addition to any experience rating modification developed under a plan, a modification reflecting specific risk characteristics may be applied to the premium for a health care facility or affiliated group, in accordance with a schedule rating table, which shall be part of the plan. Experience incurred by other companies or self-insured experience may be used and given credibility in accordance with its apparent reliability.

1 (e) To recognize these and other factors peculiar to a particular health care
2 facility or group, the insurer shall apply a debit or credit to the rates and premiums
3 otherwise developed, depending on the underwriter's overall evaluation of the risk.
4 Factors that may be considered may include any of the following:

5 (1) Loss control programs established by the insured.

6 (2) The status of the accreditation or licensure of the insured.

7 (3) Patient advocate programs established by the insured.

8 (4) Physician insurance limits.

9 (5) Continuing education programs established by the insured.

10 (f) An insurer shall not use any plan under this section until the plan has been
11 filed with and approved by the Commissioner.

12 **"§ 58-41-53. Professional liability insurance stabilization accounts.**

13 (a) As used in this section, "health care provider" has the same meaning as in
14 G.S. 90-21.11.

15 (b) Every insurer, self-insurer, and risk retention group that provides professional
16 liability insurance to health care providers in this State shall establish a stabilization
17 account for the purpose of moderating the rates it charges for that professional liability
18 insurance.

19 (c) Except in those years in which it has activated its stabilization account
20 pursuant to subsection (d) of this section, by March 31 of each year, every insurer
21 subject to this section shall contribute to its stabilization account an amount equal to
22 seven and one-half percent (7 ½%) of its net written health care provider professional
23 liability premium for the preceding calendar year. This amount shall be contributed in
24 the form of cash or cash equivalents and shall be invested in accordance with the
25 provisions of Article 7 of this Chapter governing property and liability insurance
26 company investments; provided, that no portion of the stabilization account shall be
27 invested in common or preferred stock.

28 (d) (i) An insurer subject to this section shall activate its stabilization account
29 whenever it seeks to increase its rates and (ii) its investment income attributable to
30 health care provider professional liability insurance for the preceding year has fallen
31 below the average of the investment income for the five-year period ending December
32 31 of the preceding year.

33 (e) In calculating any increase in health care provider professional liability
34 insurance rates, an insurer shall include in the calculation the difference between its
35 investment income attributable to health care provider professional liability insurance
36 for the preceding year and the average of that investment income for the five-year
37 period ending December 31 of the preceding year. No proposed rate increase shall take
38 effect unless the insurer demonstrates to the satisfaction of the Commissioner that it has
39 included the difference in calculating the proposed increase.

40 (f) Every insurer, self-insurer, and risk retention group that provides professional
41 liability insurance to health care providers in this State shall report annually to the
42 Commissioner on the status of its stabilization account established in accordance with
43 this section. Each annual report shall be accompanied by an annual report filing fee of
44 fifty dollars (\$50.00)."

1

SECTION 2. This act becomes effective January 1, 2004.