PA 11-253—HB 6364
Insurance and Real Estate Committee

AN ACT CONCERNING THE SUNSET DATE FOR PERSONAL RISK INSURANCE RATE FILINGS AND THE PROCUREMENT OF REINSURANCE BY DOMESTIC TITLE INSURERS

SUMMARY: This act extends the sunset date for the "flex rating" law for personal risk insurance (e.g., home, auto, marine, umbrella) from July 1, 2011 to July 1, 2013 (see BACKGROUND).

The act also allows the insurance commissioner to permit a domestic title insurer to purchase reinsurance from an accredited property and casualty reinsurer, but only upon application and when the title insurer executes an affidavit showing that it was unable, after diligent effort, to procure reinsurance from another title insurer that is reasonably consistent with what is fair and appropriate under commonly accepted commercial practices. The title insurer must include the affidavit and a copy of the proposed reinsurance treaty with the application.

The law permits title insurers to purchase reinsurance for all or part of their liability under title insurance policies or reinsurance agreements. They may also reinsure title policies issued by other title insurers on risks located in this or another state. Reinsurance on property located here must be purchased from title insurers licensed here. The insurance commissioner may permit a title insurer to purchase reinsurance from an insurer not licensed in the state, but only on request and when the unlicensed insurer satisfies the capital and surplus requirements for licensed companies.

EFFECTIVE DATE: Upon passage

BACKGROUND

Flex Rating Law

The flex rating law permits property and casualty insurers, until the law sunsets, to file new personal risk insurance rates with the insurance commissioner and begin using them immediately without prior approval if the rates increase or decrease by no more than 6% for all products included in the filing. The new rate cannot apply on an individual basis. The law does not apply to rates for the residual market.

The law provides that an insurer may submit more than one rate filing using the 6% band to the Insurance Department in any 12-month period if all rate filings submitted within the 12 months, in combination, do not result in a statewide rate change of plus or minus 6% for all products included in the filing.

Under the law, an insurer can apply for a rate increase within the 6% band only on or after a policy renewal and after notifying the insured. (The notification specifies the effective date of the increase.) Rate filings seeking to increase or decrease rates by more than 6% must follow existing rate filing requirements (i.e., insurers must receive department approval before using the new rates).

The law deems that any filings made under its provisions comply with the rating laws. But the commissioner can determine if they are inadequate or unfairly discriminatory and must order the insurer to stop using a rate change within the 6% band on a specified future date if he determines it is inadequate or unfairly discriminatory. The order must be in writing and explain the finding. If the commissioner issues the order more than 30 days after the insurer submitted the filing, the law requires the order to apply prospectively only and not affect any contract issued before its effective date.

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