

ACT No. 351

Regular Session, 2003

SENATE BILL NO. 721

BY SENATORS HAINKEL AND CRAVINS

AN ACT

To amend and reenact R.S. 22:1401(J)(1), (2), (3), (4), and (5)(b) and (c) and to enact R.S. 22:1401(J)(6), relative to property and casualty insurance rates; to provide for the Louisiana Insurance Rating Commission; to provide for flexible rating; to provide for file and use; to provide for limitations; to provide for procedures; to provide for reports; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:1401(J)(1), (2), (3), (4), and (5)(b) and (c) are hereby amended and reenacted and R.S. 22:1401(J)(6) is hereby enacted to read as follows:

§1401. Louisiana Insurance Rating Commission; creation, membership, selection, compensation, powers, duties, and functions; budgetary control; use of funds; **flexible rating**

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J.(1) The commission shall not approve a rate increase for any insurer more than once per rate classification in any ~~six-month~~ **twelve-month** period. An application for a rate change which reduces insurance rates for a risk classification may be approved at any time.

(2) ~~Subsequent to a rate change approved by the commission~~

~~which increases insurance rates per risk classification, the insurer may decrease the increased rates, without approval of the commission, to a level no lower than the approved rates in effect prior to the increase. The insurer shall give written notification to the commission of the rate decrease. Such decrease shall be effective after thirty days from the delivery of the notification, unless within thirty days of receipt of the written notification by the insurer the commission notifies the insurer in writing that the rate decrease is not actuarially justified. The notice of the rate decrease shall include such information as required by the commission to determine if the rate decrease is actuarially justified.~~

Except as provided herein, overall average rate level increases or decreases in any twelve-month period, for all coverages combined for both personal and commercial lines, of ten percent above or below the insurer's rates in effect, may take effect without prior approval as provided in Paragraph (3) of this Subsection. The ten percent limitation does not apply on an individual insured basis. Notwithstanding any other provisions of this Part, for any policies governed by this Section, filings that produce rate level changes within the limitation specified herein, become effective without prior approval, provided that notice is given to the policyholders in accordance with Paragraph (4) of this Subsection.

(3)(a) ~~Subsequent to a rate change approved by the commission which reduces insurance rates per risk classification, the insurer may increase the reduced rates, without approval of the commission, to a level no higher than the approved rates in effect prior to the reduction. The insurer shall give written notification to the commission of the rate increase. Such increase shall be effective after thirty days from the~~

~~delivery of the notification, unless within thirty days of receipt of the written notification by the insurer the commission notifies the insurer in writing that the rate increase is not actuarially justified. The notice of the rate increase shall include such information as required by the commission to determine if the rate increase is actuarially justified. A~~
rate increase or decrease falling within the said limitation may become effective not less than thirty days after the date of the filing with the commission. Any such filing is deemed to meet the requirements of this Part. The actuarial staff of the commission and the office of property and casualty may find that such filing is not in compliance with this Part; however, the actuarial staff shall issue a written order specifying in detail the provisions with which the insurer has not complied and state a reasonable period in which the filing shall be deemed no longer effective. Any such order that is issued more than thirty days from the date on which the commission received the rate filing, shall be on a prospective basis only and shall not affect any contract issued or made prior to the effective date of the order. Any such order may be appealed by the filing insurer to the commission. Rate filings falling outside of the said limitation shall be subject to the prior approval by the commission as otherwise provided by law.

R.S. 22:1401(J)(3)(b) is all new law.

(b) Individual insurance companies and member companies of an affiliated group of insurers may utilize different filed rates for insurance coverage in accordance with rating plans filed with the commission. These rating plans may provide for different rates, rating tiers, and rating plans among affiliated companies. For the purposes of

this Paragraph, an affiliated group of insurers includes a group of insurers under common ownership, management, or control.

(4) Prior to the implementation of a rate change approved by the commission, or deemed approved pursuant to this Subsection, which increases a rate for a policyholder, the insurer shall notify the policyholder at least thirty days prior to the date of renewal of the policy. No rate increase approved by the commission, or deemed approved pursuant to this Subsection, shall be implemented by the insurer during the term contracted between the policyholder and the insurer. **The overall statewide rate change implemented under this Subsection must be stated in the notice to the policyholder.**

(5) For the purposes of this Subsection:

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(b) The date used to determine the beginning of a ~~six-month~~ **twelve-month** period shall be the effective date for the last approved rate change.

(c) The first application for a rate change after an initial rating plan is approved by the commission is not subject to the ~~six-month~~ **twelve-month** period.

R.S. 22:1401(J)(6) is all new law.

(6) On or before February 1, 2008, the Louisiana Insurance Rating Commission shall deliver to the legislature a report on flexible rating for property and casualty insurance. The report may not include data regarding a specific insurer or insurer group, unless that data is public record. The report shall analyze the impact of the flexible rating on:

(a) The extent and nature of competition.

- (b) The size and significance of coverage.
- (c) The level and range of rates and rate changes among insurers.
- (d) The extent of consumer complaints to the Department of Insurance.
- (e) The volume of cancellations and nonrenewals.
- (f) The changes in the number of policies by territory and by class, including age and sex in each territory.
- (g) The number of new insured and nonrenewed insured.
- (h) The business written by each insurer.

Section 2. This Act shall become effective on January 1, 2004; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on January 1, 2004, or on the day following such approval by the legislature, whichever is later.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____