

STATE OF OKLAHOMA

1st Session of the 43rd Legislature (1991)

HOUSE BILL NO. 1564

BY: BASTIN

AS INTRODUCED

AN ACT RELATING TO INSURANCE; AMENDING SECTION 6, CHAPTER 175, O.S.L. 1987 AND 36 O.S. 1981, SECTIONS 903, AS LAST AMENDED BY SECTION 3, CHAPTER 291, O.S.L. 1988 AND 929, AS AMENDED BY SECTION 26, CHAPTER 210, O.S.L. 1987 (36 O.S. SUPP. 1990, SECTIONS 902.1, 903 AND 929), WHICH RELATE TO THE OKLAHOMA INSURANCE RATING ACT; REQUIRING CERTAIN FILED RATES TO REMAIN IN EFFECT UNDER CERTAIN CONDITIONS; PROVIDING TIME PERIOD DURING WHICH FILED RATES REMAIN EFFECTIVE; REQUIRING NEW RATE FILING UPON EXPIRATION OF RATES; SPECIFYING RATES THAT ARE SUBJECT TO EFFECTIVE PERIOD AND EXPIRATION PROVISIONS; AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 6, Chapter 175, O.S.L. 1987 (36 O.S. Supp. 1990, Section 902.1), is amended to read as follows:

Section 902.1 No property or casualty insurer shall increase or decrease a filed rate by more than fifteen percent (15%), inclusive of any rate adjustments, add-ons, deductibles or deviations, without

prior approval from the Board for Property and Casualty Rates, pursuant to the request for rate approval required in Article 9 of the Insurance Code. Any such rate shall remain in effect as provided in subsection F of Section 903 of this title.

SECTION 2. AMENDATORY 36 O.S. 1981, Section 903, as last amended by Section 3, Chapter 291, O.S.L. 1988 (36 O.S. Supp. 1990, Section 903), is amended to read as follows:

Section 903. A. 1. Except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every insurer governed by the provisions of this act shall file with the Board, either directly or through a licensed rating organization of which it is a member or subscriber, all rates and rating plans and classifications, class rates, rating schedules and all other supplementary rate information and every modification of any of the foregoing, which it uses or proposes to use in this state except as otherwise provided in this section.

2. The Board shall send a notification of filing of rates to any person who annually requests, in writing, to be notified of filings pursuant to regulation of the Board.

3. The Attorney General shall be notified within ten (10) days, in writing, of each:

- a. filing of rates, whether for prior approval or for immediate use, and
- b. certification of completion of a filing.

4. The Attorney General shall be notified at least ten (10) days in advance, in writing, of each:

- a. meeting of the Board, and
- b. hearing conducted by the Board.

B. Rates, rating plans, classifications, schedules and other information shall be deemed approved thirty (30) calendar days following certification of completion of the filing as provided in this act unless, within the thirty (30) calendar-day period:

1. The Board by majority vote, approves, disapproves or approves with modification, the filing at one of its scheduled meetings or hearings;

2. The Board orders a formal hearing on the filing; or

3. The Board or the Commissioner, if a quorum of the Board is not available at the next regularly scheduled meeting, extends this period for one additional thirty (30) calendar-day period.

C. Nothing in this act shall be construed to require any filing for approval of rates, rating plans, classifications, schedules and other information approved by the Board prior to the effective date of this act.

D. Any formal hearing ordered by the Board shall be completed and a written order on the filing issued by the Board within ninety (90) calendar days from the date of the order setting the formal hearing, or the filing shall be deemed approved at the expiration of the ninety-day period.

E. 1. Rate filings on homeowner's insurance shall become effective when filed, or upon a future date specified in such filing, and shall remain effective unless the Board reviews and disapproves the filing because such rate is not in compliance with the standards set out in this act. Provided, if a rate filing is disapproved because it is excessive or unfairly discriminatory, the Board may order return of premium to the policyholders; plus interest thereon at an annual rate equal to the average United States Treasury Bill rate of the preceding calendar year as certified by the State Treasurer on the first regular business day in January of each year, plus four percentage points; ~~and~~.

2. For purposes of this subsection, homeowner's insurance shall mean:

- a. insurance which combines, on an individual basis, property and liability insurance required to protect an individual's investment in his home or contents

thereof, commonly called homeowner's or renter's insurance and specifically including insurance on a farm dwelling and attached or detached garage and their contents,

- b. dwelling fire insurance, or
- c. individual fire insurance on dwelling contents.

3. Any such rate shall remain in effect as provided in subsection F of this section.

~~F. Rates approved as herein provided shall thereafter remain in effect unless and until changed by the Board or superseded by a subsequent filing approved pursuant to the procedures set out herein~~  
Filed rates, whether made by an insurer or by a rating organization, and whether or not prior approval is required under the flex rating, file and use or automatic rate reduction system, shall be effective for a period of not more than four (4) years from the effective date of the insurer's or rating organization's rate filing unless otherwise changed by the Board, or unless the rates are reduced by the company. At the end of the four-year period, the rates expire, and for an insurer to continue to write the insurance coverage to which the expired rates applied, a new rate filing is required. All rates in effect on or before September 1, 1991, shall be subject to this provision.

G. Rates or risks which are not by general custom of the business, or because of rarity or peculiar characteristics, written according to normal classification or rating procedure and which cannot be practicably filed before they are used, may be used before being filed. The Board may make such examination as it may deem advisable to ascertain whether any such rates meet the requirements of this act.

H. Whenever it shall be made to appear to the Board, either from its own information or from complaint of any party alleging to be aggrieved thereby, that there are reasonable grounds to believe

that the rates on any or on all risks or classes of risks or kinds of insurance within the scope of this article are not in accordance with the terms of this act, it shall be the duty of the Board to investigate and determine whether or not any or all of such rates meet the requirements of this act.

I. When investigating rates to determine whether or not they comply with the provisions of this act, the previously approved filing shall not be changed, altered, amended, or held in abeyance until after completion of the investigation and an opportunity for hearing in accordance with the provisions of this article. Following such hearing, the Board shall enter its order in accordance with the provisions of this act. The effective date of such order shall not be less than thirty (30) days nor more than sixty (60) days after the date of the order unless the Board determines that, in the public interest, a shorter or longer period is appropriate; provided, the filer has adequate time to implement such rate change. Any such order shall apply prospectively only and shall not affect premiums collected on new or renewal policies issued prior to the effective date of this order.

J. Under such rules and regulations as it shall adopt, the Board may, by written order, suspend or modify the requirements of filing as to any kind of insurance, subdivision or combination thereof, or as to classes of risks, the rates for which cannot practicably be filed before they are used. Such orders, rules and regulations shall be made known to insurers and rating organizations affected thereby. The Board may make such examination as it may deem advisable to ascertain whether any rates affected by such order meet the standards set forth in this act. This subsection shall not apply to workers' compensation filings.

K. Any filing with respect to fidelity, surety or guaranty bonds shall, however, be deemed approved from the date of filing and

shall thereafter be subject to the provisions of subsection F of this section.

L. If the Board finds that a filing does not meet the requirements of this act, it shall send to the insurer or rating organization which made such filing, written notice of disapproval of such filing, specifying therein in what respects it finds that such filing fails to meet the requirements of this act and stating that such filing shall not become effective to the extent disapproved.

M. If within thirty (30) days after a rate has become effective for homeowner's insurance the Board finds that such filing does not meet the requirements of this act, it shall send to the rating organization or insurer which made such filing, a written notice of disapproval of such filing, specifying therein in what respect it finds that such filing fails to meet the requirements of this act and stating when, within a reasonable period thereafter, such filing shall be deemed no longer effective. Any such notice shall apply prospectively only and shall not affect premiums collected on new or renewal policies issued prior to the effective date of this notice. If a rate filing is disapproved because it is excessive or unfairly discriminatory the Board may order return of premium to the policyholder; plus interest thereon at an annual rate equal to the average United States Treasury Bill rate of the preceding calendar year as certified by the State Treasurer on the first regular business day in January of each year, plus four percentage points.

SECTION 3. AMENDATORY 36 O.S. 1981, Section 929, as amended by Section 26, Chapter 210, O.S.L. 1987 (36 O.S. Supp. 1990, Section 929), is amended to read as follows:

Section 929. A. Except with regard to homeowner's insurance, every member of, or subscriber to, a licensed rating organization may adhere to the filings made on its behalf by such organization, except that any such member or subscriber may deviate from such

filings as authorized herein if it has filed with the rating organization and with the Board, the deviation to be applied and information necessary to justify the deviation, provided such deviation, other than direct deviations as are authorized by this act, is approved by the Board. If approved, the deviation shall remain in force until such approval is withdrawn by the insurer with the approval of the Board when required. The Board shall approve any such deviation requiring Board action unless it finds that the deviation to be applied would not be uniform in its application or would be inconsistent with the provisions of this act, but unless it approves the deviation within thirty (30) days it shall, within a reasonable time, grant a hearing to the applicant at the applicant's request. Any such rate shall remain in effect as provided in subsection F of Section 903 of this title.

B. Nothing in this act shall prevent an insurer, except a workers' compensation insurer, from reducing and immediately using a rate, which is reduced by no more than fifteen percent (15%) of the last formally approved rate, without filing a rate application with the Board. However, the insurer shall file notice of a rate decrease with the Board which shall approve or disapprove such rate reduction within thirty (30) calendar days of receipt of such notice. The insurer may increase such rate to the originally approved rate at any time, but shall, ten (10) days prior to making such increase, notify the Board of its intention. Such deviation shall become effective upon the date that notice is received by the Board. Any such rate shall remain in effect as provided in subsection F of Section 903 of this title.

SECTION 4. This act shall become effective September 1, 1991.

43-1-5124 SD