

Legislative Analysis



ORR/ARC REPORT: INSURANCE AMENDMENTS

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House Bill 5891

Sponsor: Rep. Pete Lund

Committee: Insurance

Complete to 9-19-12

A SUMMARY OF HOUSE BILL 5891 AS INTRODUCED 9-12-12

The bill would amend the No-Fault Act, within the Insurance Code, in the following ways.

****** Currently, the statute requires insurance companies to send policyholders at least annually a written notice on how rates are determined and why they vary, how they can obtain information to confirm the accuracy of premiums, how they can appeal the application of rating rules, and how to determine if more favorable premiums are available under other rating plans, among other things. The bill would replace the requirement that a written "notice" be sent and instead require a written "summary."

This amendment was Recommendation #23 in the report by the Insurance and Finance Advisory Rules Committee (ARC), which was created by the Office of Regulatory Reinvention (ORR), in accordance with Executive Order 2011 5, as part of a comprehensive review of state regulations. The rationale was that a brief summary is preferable to the current extensive notice because "the booklet is very costly to provide and serves very little value to the consumer other than add cost to the system."

****** Currently, agents are required to provide customers seeking home or auto insurance the "lowest available" premium quotation for the type of insurance coverage sought that are offered by the companies represented by the agent. The bill would amend this to say that an agent must provide "a premium quotation" rather than the "lowest available." Also, the act currently says an insurance agent must provide additional premium quotations at the request of a customer if the agent represents additional insurers. The bill would instead say that the agent "may" provide such additional premium quotations.

This amendment regarding "lowest available" premiums was Recommendation #24 of ARC. Their rationale is that "such a requirement discriminates against agents that represent more than one insurer by adding additional business costs, is outdated with the advent [of] the ability for the consumer to electronically obtain market quotes without speaking to an agent, and is not reflective of today's competitive insurance market."

****** Currently, the statute limits the deductible that can be offered on personal injury protection (PIP) coverage, for a reduced premium, to \$300 per accident. The bill would eliminate that maximum amount.

This amendment was Recommendation #27 of ARC. The report says the deductible cap is "arbitrary."

** Section 3109a of the act says an insurance company providing PIP benefits "shall" offer reduced premium rates, deductibles, and exclusions reasonably related to other health and accident coverage on the insured. (This is typically referred to as coordinated coverage, and allows a reduced rate for customers who have other health insurance coverage). The bill would change the "shall" to a "may," meaning that companies can but need not offer reduced premiums, etc. for coordinated medical coverage.

This amendment is also part of Recommendation # 27. The report said, "for the most part, private health and accident policies do not cover auto accident-related injuries. So, auto no-fault insurers have been forced to sell the auto insurance policies at a discount, but have not been able to reduce their costs."

FISCAL IMPACT:

House Bill 5891, as introduced, would not have a significant fiscal impact on the Office of Financial and Insurance Regulation (OFIR).

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