

By: Representative Horne

To: Insurance

HOUSE BILL NO. 849

1 AN ACT TO AMEND SECTION 83-2-3, MISSISSIPPI CODE OF 1972, TO
2 REQUIRE A CERTAIN DECREASE IN RATES FOR AUTOMOBILE INSURANCE; TO
3 REQUIRE INSURERS TO OFFER AND SELL GOOD-DRIVER DISCOUNT POLICIES
4 TO CERTAIN INSURED; TO REQUIRE THE COMMISSIONER OF INSURANCE TO
5 PROVIDE CONSUMERS WITH A COMPARISON OF THE RATE IN EFFECT FOR EACH
6 PERSONAL LINE OF AUTOMOBILE INSURANCE FOR EVERY INSURER; TO AMEND
7 SECTION 83-2-7, MISSISSIPPI CODE OF 1972, TO REQUIRE THE
8 COMMISSIONER OF INSURANCE TO NOTIFY THE PUBLIC OF ANY APPLICATION
9 BY AN INSURER FOR AN INSURANCE RATE CHANGE; TO ALLOW THE PUBLIC
10 THE OPPORTUNITY FOR A HEARING CONCERNING THE PROPOSED INSURANCE
11 RATE CHANGE; AND FOR RELATED PURPOSES.

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

13 **SECTION 1.** Section 83-2-3, Mississippi Code of 1972, is
14 amended as follows:

15 83-2-3. (1) Rates shall comply with the following
16 standards:

17 (a) Rates shall not be excessive, inadequate or
18 unfairly discriminatory.

19 (b) A rate is excessive if it is likely to produce a
20 profit that is unreasonably high for the insurance provided or if
21 the expense provision included therein is unreasonably high in
22 relation to the services rendered.

23 (c) A rate is inadequate if it threatens the solvency
24 of the insurance company or tends to create a monopoly.

25 (d) Unfair discrimination exists if, after allowing for
26 practical limitations, price differentials fail to reflect
27 equitably the differences in expected losses and expenses. A rate
28 is not unfairly discriminatory because different premiums result
29 for policyholders with like loss exposures with different
30 expenses, or like expenses but different loss exposures, so long
31 as the rate reflects the differences with reasonable accuracy.



32 (2) In determining whether rates comply with the standards
33 set forth in subsection (1), the following criteria shall apply:

34 (a) Due consideration shall be given to past and
35 prospective loss and expense experience within and outside this
36 state; to catastrophe hazards; to any residual market loss
37 redistributions and other similar obligations; to a reasonable
38 provision for profit and contingencies; to trends within and
39 outside this state; to loadings for leveling premium rates over a
40 reasonable period of time or for dividends or savings to be
41 allowed or returned by insurers to their policyholders, members or
42 subscribers; and to all other relevant factors, including the
43 judgment of the filer.

44 (b) Risks may be classified in any reasonable way for
45 the establishment of rates except that no risks may be grouped by
46 classifications based in whole or in part on race, color, creed,
47 or national origin of the risk. Rates may be modified for
48 individual risks in accordance with rating plans or schedules
49 which provide for recognition of probable variations in hazards,
50 expenses or both.

51 (c) The systems of expense provisions included in rates
52 for use by an insurer or group of insurers may differ from those
53 of other insurers or group of insurers to reflect the operating
54 methods of such insurer or group with respect to any kind of
55 insurance, or with respect to any subdivision or combination
56 thereof.

57 (d) Any homeowners' insurance policy filed with the
58 Commissioner of Insurance that offers a percentage deductible for
59 the peril of windstorm from a named storm shall offer a buy-back
60 provision for that deductible which is actuarially sound; however,
61 the Commissioner of Insurance may grant a waiver from the
62 mandatory buy-back provision in accordance with the following
63 procedure and criteria:



64 (i) An insurance company shall make a formal
65 filing requesting a waiver from the buy-back provision requirement
66 with the Commissioner of Insurance.

67 (ii) An insurance company shall submit written
68 proof in its formal filing as to why it is in the best interest of
69 Mississippi policyholders to receive a waiver from the buy-back
70 provision requirement and shall provide any supporting
71 documentation requested by the commissioner deemed appropriate to
72 make his decision.

73 (iii) All expenses incurred by the Commissioner of
74 Insurance or his designee in determining the validity of the
75 waiver request shall be borne by the petitioning insurer. Such
76 expenses may include, but not be limited to, the cost of reviewing
77 the filing by actuaries, and if the commissioner deems a public
78 hearing appropriate, the cost of a facility, the cost of publicity
79 and the cost of a court reporter for the hearing.

80 (3) (a) For any coverage for a policy for automobile
81 insurance issued or renewed on or after July 1, 2002, every
82 insurer shall reduce its charges to levels which are at least
83 twenty percent (20%) less than the charges for the same coverage
84 which were in effect on July 1, 2001.

85 (b) Between July 1, 2002 and July 1, 2003, rates and
86 premiums reduced under this subsection may be increased only if
87 the commissioner finds, after a hearing, that an insurer is
88 substantially threatened with insolvency.

89 (c) For those who apply for an automobile insurance
90 policy for the first time on or after July 1, 2002, the rates
91 shall be twenty percent (20%) less than the rate which was in
92 effect on July 1, 2001, for similarly situated risks.

93 (d) Any separate affiliate of an insurer, established
94 on or after July 1, 2001, shall be subject to the provisions of
95 this section and shall reduce its charges to levels which are at



least twenty percent (20%) less than the insurer's charges in effect on that date.

(e) Rates and premiums for an automobile insurance policy shall be determined by application of the following factors in decreasing order of importance:

(i) The insured's driving safety record.

(ii) The number of miles he or she drives annually.

(iii) The number of years of driving experience the insured has had.

(iv) Such other factors as the commissioner may adopt by regulation that have a substantial relationship to the risk of loss. The regulations shall set forth the respective weight to be given each factor in determining automobile rates and premiums. Notwithstanding any other provision of law, the use of any criterion without such approval shall constitute unfair discrimination.

(4) (a) Every person who has been licensed to drive a motor vehicle for the previous three (3) years and has had, during that period, not more than one (1) conviction for a moving violation which has not eventually been dismissed shall be qualified to purchase a Good Driver Discount policy from the insurer of his or her choice. An insurer shall not refuse to offer and sell a Good Driver Discount policy to any person who meets the standards of this subsection. The rate charged for a Good Driver Discount policy shall comply with the requirements of this section and shall be at least twenty percent (20%) below the rate the insured would otherwise have been charged for the same coverage. Rates for Good Driver Discount policies shall be approved in accordance with this chapter.

(b) The absence of prior automobile insurance coverage, in and of itself, shall not be a criterion for determining



eligibility for a Good Driver Discount policy or generally for automobile rates, premiums or insurability.

(5) Upon request, and for a reasonable fee to cover costs, the commissioner shall provide consumers with a comparison of the rate in effect for each personal line of automobile insurance for every insurer.

SECTION 2. Section 83-2-7, Mississippi Code of 1972, is amended as follows:

83-2-7. (1) Except as provided in Section 83-2-9 and subsection (2) of this section, every insurer shall file with the commissioner all rates, supplementary rate information, policy forms and endorsements at least thirty (30) days prior to the proposed effective date which shall be stated in the filing. Rates, supplementary rate information, policy forms and endorsements need not be filed for inland marine risks which by general custom of the business are not written according to manual rules or rating plans. Upon the request of the commissioner, supporting information shall also be filed. The commission shall notify the public of any application by an insurer for a rate change. Any filing made under this section is deemed to be approved sixty (60) days after public notice unless (a) a consumer or his or her representative requests a hearing within forty-five (45) days of public notice and the commissioner grants the hearing or determines not to grant the hearing and issues written findings in support of that decision; or (b) the commissioner on his or her motion determines to hold a hearing; or (c) the proposed rate adjustment exceeds seven percent (7%) of the then applicable rate for personal lines or fifteen percent (15%) for commercial lines, in which case the commissioner must hold a hearing upon a timely request. Public notice required by this section shall be made through distribution to the news media and to any member of the public who requests placement on a mailing list for that purpose.



(2) A filing of adjustments of rates for existing rating systems made under this section which does not involve a change in the relationship between such rates and the expense portion thereof or does not involve a change of the element of expenses which are paid as a percentage of premiums and does not involve a change in rate relativities among such classifications on any basis other than loss experience is effective on the date specified in the filing which shall not be less than thirty (30) days after the filing is made and shall be deemed to meet the requirements of this chapter.

Within thirty (30) days after receiving a filing, the commissioner may issue an order which delays the effective date of a filing under this section for not more than thirty (30) days after the date the order is issued if (a) the filing does not conform to generally accepted actuarial procedures; or (b) the amount of the rate adjustment is not justified by the supporting information. A delay order under this subsection shall specifically set forth the objections of the commissioner. The filing party may submit a corrected filing or supplemental information as appropriate. In the event that a corrected filing or supplemental information is not submitted, the filing is deemed to be withdrawn.

(3) No insurance company shall make or issue a contract or policy except in accordance with filings made with the commissioner, if such filings are required.

SECTION 3. This act shall take effect and be in force from and after July 1, 2002.

