

By Senator Thomas

2-1248-99

1 A bill to be entitled
2 An act relating to insurance; amending s.
3 627.062, F.S.; requiring certain insurers to
4 maintain prescribed support information for
5 rates; providing that experience must be
6 accumulated in at least three categories;
7 requiring use of generally accepted actuarial
8 procedures; amending s. 627.171, F.S.;
9 increasing the percentage of commercial
10 insurance policies that an insurer may write
11 using rates with insured's consent; setting
12 standards for the use of excess rates;
13 providing an effective date.

15 Be It Enacted by the Legislature of the State of Florida:

16
17 Section 1. Paragraph (e) of subsection (2) of section
18 627.062, Florida Statutes, is amended to read:

19 627.062 Rate standards.--

20 (2) As to all such classes of insurance:

21 (e) After consideration of the rate factors provided
22 in paragraphs (b), (c), and (d), a rate may be found by the
23 department to be excessive, inadequate, or unfairly
24 discriminatory based upon the following standards:

25 1. Rates shall be deemed excessive if they are likely
26 to produce a profit from Florida business that is unreasonably
27 high in relation to the risk involved in the class of business
28 or if expenses are unreasonably high in relation to services
29 rendered.

30 2. Rates shall be deemed excessive if, among other
31 things, the rate structure established by a stock insurance

1 company provides for replenishment of surpluses from premiums,
2 when the replenishment is attributable to investment losses.

3 3. Rates shall be deemed inadequate if they are
4 clearly insufficient, together with the investment income
5 attributable to them, to sustain projected losses and expenses
6 in the class of business to which they apply.

7 4. A rating plan, including discounts, credits, or
8 surcharges, shall be deemed unfairly discriminatory if it
9 fails to clearly and equitably reflect consideration of the
10 policyholder's participation in a risk management program
11 adopted pursuant to s. 627.0625.

12 5. A rate shall be deemed inadequate as to the premium
13 charged to a risk or group of risks if discounts or credits
14 are allowed which exceed a reasonable reflection of expense
15 savings and reasonably expected loss experience from the risk
16 or group of risks.

17 6. A rate shall be deemed unfairly discriminatory as
18 to a risk or group of risks if the application of premium
19 discounts, credits, or surcharges among such risks does not
20 bear a reasonable relationship to the expected loss and
21 expense experience among the various risks.

22 7. With respect to commercial, property, and casualty
23 insurance other than workers' compensation and residential
24 property insurance, insurers or insurer groups must maintain
25 supporting information, including the premiums, paid losses,
26 reserved losses, and allocated loss-adjustment expenses paid
27 or reserved, for analysis of subjective discount, credit, or
28 surcharge rate modifications and the expected loss and expense
29 experience for the exposures. Insurers who are affiliated with
30 a licensed rating organization for filing purposes and use the
31 rating organization's schedule rating plan may rely upon that

1 organization. The experience must be accumulated in at least
2 three categories, including debit-rated risks, credit-rated
3 risks, and risks rated at the manual level. Generally accepted
4 actuarial procedures must be used in the analysis of this
5 experience. Each insurer shall consider its analysis of this
6 experience in each base rate filing made with the department.
7 Insurers may not be required to file reports on the
8 application of filed and approved discounts, credits, or
9 surcharges for individual policies or for all policies in any
10 line of insurance in the aggregate and may not be limited by
11 rules limiting the amount of discounts, credits, or surcharges
12 for individual policies or for all policies in any line of
13 insurance in the aggregate. This subparagraph does not
14 prohibit the department from requiring the filing of the
15 analysis required by this subsection in a base rate filing.

16 Section 2. Section 627.171, Florida Statutes, is
17 amended to read:

18 627.171 Excess rates.--

19 (1) With written consent of the insured signed prior
20 to the policy inception date and filed with the insurer, the
21 insurer may use a rate in excess of the otherwise applicable
22 filed rate on any specific risk. The signed consent form must
23 include the filed rate as well as the excess rate for the risk
24 insured and a copy of the form must be maintained by the
25 insurer for 3 years and be available for review by the
26 department.

27 (2) An insurer may not use excess rates pursuant to
28 this section for more than 20 ~~10~~ percent of its commercial
29 insurance policies written or renewed in each calendar year
30 for any line of commercial insurance or for more than 5
31 percent of its personal lines insurance policies written or

1 renewed in each calendar year for any line of personal
2 insurance.

3 (3) An insurer may not use an excess rate pursuant to
4 this section unless the rate is based on underwriting
5 considerations and is not based on arbitrary or unfairly
6 discriminatory considerations.

7 Section 3. This act shall take effect October 1, 1999.

8

9

10

SENATE SUMMARY

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

Revises provisions related to support information for rates on certain commercial, property, and casualty insurance. Increases the percentage of commercial insurance policies that an insurer may write using rates with the insured's consent. Provides standards for the use of excess rates.