
HOUSE BILL No. 1385

DIGEST OF INTRODUCED BILL

Citations Affected: IC 27-1-22-3.

Synopsis: Discrimination in premium rates. Provides that certain property and casualty insurance premium rate differences are not unfairly discriminatory. Reverses certain premium rate disapprovals that occurred after December 31, 2010, and were based on a determination that the rates were unfairly discriminatory.

Effective: July 1, 2011.

Lehman

January 18, 2011, read first time and referred to Committee on Insurance.

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First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

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HOUSE BILL No. 1385



A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 27-1-22-3 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 3. (a) Rates shall be
3 made in accordance with the following provisions:

4 (1) Due consideration shall be given to the past and prospective
5 loss experience within and outside this state, to conflagration and
6 catastrophe hazards, if any, to a reasonable margin for
7 underwriting profit and contingencies, to dividends or savings
8 allowed or returned by insurers to their policyholders or members,
9 to past and prospective expenses both countrywide and those
10 specifically applicable to this state, to all other relevant factors,
11 including trend factors, within and outside this state, and in the
12 case of fire insurance rates, to the underwriting experience of the
13 fire insurance business during a period of not less than the most
14 recent five (5) year period for which such experience is available
15 and relevant.

16 (2) Risks may be grouped by classifications, by rating schedules,
17 or by any other reasonable methods, for the establishment of rates



1 and minimum premiums. Classification rates may be modified to
 2 produce rates for individual risks in accordance with rating plans
 3 which establish standards for measuring variations in hazards or
 4 expense provisions, or both. Such standards may measure any
 5 difference among risks that can be demonstrated to have a
 6 probable effect upon losses or expenses.

7 (3) The systems of expense provisions included in the rates for
 8 use by any insurer or group of insurers may differ from those of
 9 other insurers or groups of insurers to reflect the requirements of
 10 the operating methods of any such insurer or group with respect
 11 to any kind of insurance, or with respect to any subdivision or
 12 combination thereof for which subdivision or combination
 13 separate expense provisions are applicable.

14 (4) Rates shall not be excessive, inadequate, or unfairly
 15 discriminatory.

16 No rate shall be held to be excessive unless such rate is unreasonably
 17 high for the insurance coverage provided and a reasonable degree of
 18 competition does not exist in the area with respect to the classification
 19 to which such rate is applicable. No rate shall be held to be inadequate
 20 unless such rate is unreasonably low for the insurance coverage
 21 provided and is insufficient to sustain projected losses and expenses,
 22 or unless such rate is unreasonably low for the insurance coverage
 23 provided and the use of such rate has, or if continued, will have, the
 24 effect of destroying competition or creating a monopoly. **A rating
 25 difference that is based on policy inception date or results from
 26 application of a rating plan that is intended to control rate changes
 27 applicable to a policyholder is not unfairly discriminatory.**

28 (b) Except to the extent necessary to meet the provisions of
 29 subsection (a)(4), uniformity among insurers in any matters within the
 30 scope of this section is neither required nor prohibited.

31 (c) For the purpose of making rates upon automobiles and other
 32 motor vehicles under the provisions of this chapter, the terms "fleet" or
 33 "fleet policy" shall mean an insurance risk of five (5) or more
 34 automobiles and other vehicles of any kind, all owned by one (1)
 35 insured and all under one (1) direct operating management; provided,
 36 that automobiles and other motor vehicles owned by employees may
 37 not be included or insured under a fleet policy of an employer under
 38 any circumstances.

39 SECTION 2. [EFFECTIVE JULY 1, 2011] (a) **IC 27-1-22-3, as
 40 amended by this act, applies to rate filings filed before July 1, 2011,
 41 regardless of whether the rate filing has been approved before July
 42 1, 2011.**

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1 **(b) A rate filing that was disapproved after December 31, 2010,**
2 **under IC 27-1-22-3, before its amendment by this act, due to a**
3 **determination that a rating difference that:**
4 **(1) is based on policy inception date; or**
5 **(2) results from application of a rating plan that is intended to**
6 **control rate changes applicable to a policyholder;**
7 **was unfairly discriminatory is considered approved.**
8 **(c) This SECTION expires on June 30, 2013.**

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