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By COMMITTEE ON COMMERCE.

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*2-16
Special order of bus. for 2/17/65*

A BILL FOR

An Act to consolidate the present fire and casualty insurance rate regulatory laws.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Purpose of Act.

2 The purpose of this Act is to promote the public welfare by
3 regulating insurance rates to the end that they shall not be
4 excessive, inadequate or unfairly discriminatory, and to
5 authorize and regulate cooperative action among insurers in rate
6 making and in other matters within the scope of this Act.

7 Nothing in this Act is intended (1) to prohibit or discourage
8 reasonable competition, or (2) to prohibit, or encourage except
9 to the extent necessary to accomplish the aforementioned purpose,
10 uniformity in insurance rates, rating systems, rating plans or
11 practices. This Act shall be liberally interpreted to carry into
12 effect the provisions of this section.

1 Sec. 2. Scope of Act.

2 This Act applies to all forms of casualty insurance, including
3 fidelity, surety and guaranty bond, to all forms of fire, marine
4 and inland marine insurance, and to any combination of any of the
5 foregoing, on risks or operations in this state. Inland marine
6 insurance shall be deemed to include insurance now or hereafter
7 defined by statute, or by interpretation thereof, or if not so
8 defined or interpreted, by ruling of the commissioner of

9 insurance, hereinafter referred to as commissioner, or as
10 established by general custom of the business, as inland marine
11 insurance.

12 This Act shall not apply to:

13 1. Reinsurance, other than joint reinsurance to the extent
14 stated in section eleven (11) of this Act;

15 2. Accident and health insurance;

16 3. Insurance of vessels or craft, their cargoes, marine
17 builders' risks, marine protection and indemnity, or other risks
18 commonly insured under marine, as distinguished from inland
19 marine insurance policies;

20 4. Insurance written by a county mutual assessment
21 association as provided in chapter five hundred eighteen (518),
22 Code of Iowa.

1 Sec. 3. Making of Rates.

2 1. Rates shall be made in accordance with the following
3 provisions:

4 a. Rates shall not be excessive, inadequate or unfairly
5 discriminatory.

6 b. Due consideration shall be given to past and
7 prospective loss experience within and outside this state, to the
8 conflagration and catastrophe hazards, to a reasonable margin for
9 profit and contingencies, to dividends, savings, or unabsorbed
10 premium deposits allowed or returned by insurers to their
11 policyholders, members or subscribers, to past and prospective
12 expenses both countrywide and those specially applicable to this
13 state, and to all other relevant factors within and outside this
14 state; and in the case of fire insurance rates consideration
15 shall be given to the experience of the fire insurance business

16 during a period of not less than the most recent five year period
17 for which such experience is available.

18 c. The systems of expense provisions included in the rates
19 for use by any insurer or group of insurers may differ from those
20 of other insurers or group of insurers to reflect the
21 requirements of the operating methods of any such insurer or
22 group of insurers with respect to any kind of insurance, or with
23 respect to any subdivision or combination thereof for which
24 subdivision or combination separate expense provisions are
25 applicable.

26 d. Risks may be grouped by classifications for the
27 establishment of rates and minimum premiums. Classification
28 rates may be modified to produce rates for individual risks in
29 accordance with rating plans which establish standards for
30 measuring variations in hazards or expense provisions, or both.
31 Such standards may measure any differences among risks that can
32 be demonstrated to have a probable effect upon losses or
33 expenses.

34 2. Except to the extent necessary to meet the provisions of
35 paragraph "a" of subsection one (1) of this section, uniformity
36 among insurers in any matters within the scope of this section is
37 neither required nor prohibited.

1 Sec. 4. Rate Filings.

2 1. Every insurer shall file with the commissioner, except as
3 to inland marine risks which by general custom of the business
4 are not written according to manual rates or rating plans,
5 every manual, minimum, class rate, rating schedule or rating plan
6 and every other rating rule, and every modification of any of the
7 foregoing which it proposes to use. Every such filing shall

8 state the proposed effective date thereof, and shall indicate the
9 character and extent of the coverage contemplated.

10 When a filing is not accompanied by the information upon which
11 the insurer supports such filing, and the commissioner does not
12 have sufficient information to determine whether such filing
13 meets the requirements of the Act, he shall require such insurer
14 to furnish the information upon which it supports such filing and
15 in such event the waiting period shall commence as of the date
16 such information is furnished. The information furnished in
17 support of a filing may include (a) the experience or judgment of
18 the insurer or rating organization making the filing, (b) its
19 interpretation of any statistical data it relies upon, (c) the
20 experience of other insurers or rating organizations, or (d) any
21 other relevant factors. A filing and any supporting information
22 shall be open to public inspection after the filing becomes
23 effective. Specific inland marine rates on risks specially
24 rated, made by a rating organization, shall be filed with the
25 commissioner.

26 2. An insurer may satisfy its obligation to make such filings
27 by becoming a member of, or a subscriber to, a licensed rating
28 organization which makes such filings, and by authorizing the
29 commissioner to accept such filings on its behalf; provided that
30 nothing contained in this Act shall be construed as requiring any
31 insurer to become a member of or a subscriber to any rating
32 organization.

33 3. The commissioner shall review filings as soon as
34 reasonably possible after they have been made in order to
35 determine whether they meet the requirements of this Act.

36 4. Subject to the exception specified in subsection five (5)

37 of this section, each filing shall be on file for a waiting
38 period of fifteen (15) days before it becomes effective, which
39 period may be extended by the commissioner for an additional
40 period not to exceed fifteen (15) days if he gives written notice
41 within such waiting period to the insurer or rating organization
42 which made the filing that he needs such additional time for the
43 consideration of such filing. Upon written application by such
44 insurer or rating organization, the commissioner may authorize a
45 filing which he has reviewed to become effective before the
46 expiration of the waiting period or any extension thereof. A
47 filing shall be deemed to meet the requirements of this Act
48 unless disapproved by the commissioner within thirty (30) days of
49 receipt thereof by the commissioner.

50 5. Specific inland marine rates on risks specially rated by a
51 rating organization, or any specific filing with respect to a
52 surety or guaranty bond required by law or by court or executive
53 order, rule or regulation of a public body and not covered by a
54 previous filing, shall become effective when filed and shall be
55 deemed to meet the requirements of this Act until such time as
56 the commissioner reviews the filing and so long thereafter as the
57 filing remains in effect.

58 6. Under such rules and regulations as he shall adopt the
59 commissioner may, by written order, suspend or modify the
60 requirement of filing as to any kind of insurance, subdivision or
61 combination thereof, or as to classes of risks, the rates for
62 which cannot practicably be filed before they are used. Such
63 order, rules and regulations shall be made known to insurers and
64 rating organizations affected thereby. The commissioner may make
65 such examination as he may deem advisable to ascertain whether

66 any rates affected by such order meet the standards set forth in
67 paragraph "b" of subsection one (1) of section three (3) of this
68 Act.

69 7. Upon the written application of the insured, stating his
70 reasons therefor, filed with and approved by the commissioner
71 a rate in excess of that provided by a filing otherwise
72 applicable may be used on any specific risk.

73 8. No insurer shall make or issue a contract or policy except
74 in accordance with the filings which are in effect for said
75 insurer as provided in this Act or in accordance with subsections
76 six (6) or seven (7) of this section. This subsection shall not
77 apply to contracts or policies for inland marine risks as to
78 which filings are not required.

1 Sec. 5. Disapproval of Filings.

2 1. If within the waiting period or any extension thereof as
3 provided in subsection four (4) of section four (4) of this Act,
4 the commissioner finds that a filing does not meet the
5 requirements of this Act, he shall send to the insurer or rating
6 organization which made such filing, written notice of
7 disapproval of such filing specifying therein in what respects he
8 finds such filing fails to meet the requirements of this Act and
9 stating that such filing shall not become effective.

10 2. If within thirty days after a specific inland marine rate
11 on a risk especially rated by a rating organization subject to
12 subsection five (5) of section four (4) of this Act has become
13 effective or, if within thirty (30) days after a special surety
14 or guaranty filing subject to subsection five (5) of section four
15 (4) of this Act has become effective, the commissioner finds that
16 such filing does not meet the requirements of this Act, he shall

17 send to the rating organization or insurer which made such filing
18 written notice of disapproval of such filing specifying therein
19 in what respects he finds that such filing fails to meet the
20 requirements of this Act and stating when, within a reasonable
21 period thereafter, such filing shall be deemed no longer
22 effective. Said disapproval shall not affect any contract made
23 or issued prior to the expiration of the period set forth in said
24 notice.

25 3. If at any time subsequent to the applicable review period
26 provided for in subsection one (1) or two (2) of this section,
27 the commissioner finds that a filing does not meet the
28 requirements of this Act, he shall, after a hearing held upon not
29 less than ten (10) days' written notice, specifying the matters
30 to be considered at such hearing, to every insurer and rating
31 organization which made such filing, issue an order specifying in
32 what respects he finds that such filing fails to meet the
33 requirements of this Act, and stating when, within a reasonable
34 period thereafter, such filing shall be deemed no longer
35 effective. Copies of said order shall be sent to every such
36 insurer and rating organization. Said order shall not affect any
37 contract or policy made or issued prior to the expiration of the
38 period set forth in said order.

39 4. Any person or organization aggrieved with respect to any
40 filing which is in effect may make written application to the
41 commissioner for a hearing thereon, provided, however, that the
42 insurer that made the filing shall not be authorized to proceed
43 under this subsection. Such application shall specify the
44 grounds to be relied upon by the applicant and such application
45 must show that the person or organization making such application

46 has a specific economic interest affected by the filing. If the
47 commissioner shall find that the application is made in good
48 faith, that the applicant has a specific economic interest, that
49 the applicant would be so aggrieved if his grounds are
50 established, and that such grounds otherwise justify holding such
51 a hearing, he shall within thirty (30) days after receipt of such
52 application hold a hearing, upon not less than (10) days'
53 written notice to the applicant and to every insurer and rating
54 organization which made such filing. No rating or advisory
55 organization shall have any status under this Act to make
56 application for a hearing on any filing made by an insurer with
57 the commissioner.

58 If, after such hearing, the commissioner finds that the filing
59 does not meet the requirements of this Act, he shall issue an
60 order specifying in what respects he finds that such filing fails
61 to meet the requirements of this Act, and stating when, within a
62 reasonable period thereafter, such filing shall be deemed no
63 longer effective. Copies of said order shall be sent to the
64 applicant and to every such insurer and rating organization.
65 Said order shall not affect any contract or policy made or issued
66 prior to the expiration of the period set forth in said order.

67 5. No filing shall be disapproved if the rates thereby
68 produced meet the requirements of this Act.

1 Sec. 6. Rating Organizations.

2 1. A corporation, an unincorporated association, a
3 partnership or an individual, whether located within or outside
4 this state, may make application to the commissioner for license
5 as a rating organization for such kinds of insurance, or
6 subdivisions or class of risk or a part or combination thereof as

7 are specified in its application and shall file therewith (a) a
8 copy of its constitution, its articles of agreement or
9 association or its certificate of incorporation, and of its
10 by-laws, rules and regulations governing the conduct of its
11 business, (b) a list of its members and subscribers, (c) the name
12 and address of a resident of this state upon whom notices or
13 orders of the commissioner or process affecting such rating
14 organization may be served and (d) a statement of its
15 qualifications as a rating organization. If the commissioner
16 finds that the applicant is competent, trustworthy and otherwise
17 qualified to act as a rating organization and that its
18 constitution, articles of agreement or association or certificate
19 of incorporation, and its by-laws, rules and regulations
20 governing the conduct of its business conform to the requirements
21 of law, he shall issue a license specifying the kinds of
22 insurance, or subdivisions or classes of risks or parts or
23 combinations thereof for which the applicant is authorized to act
24 as a rating organization. Every such application shall be
25 granted or denied in whole or in part by the commissioner within
26 sixty (60) days of the date of its filing with him. Licenses
27 issued pursuant to this section shall remain in effect for three
28 (3) years unless sooner suspended or revoked by the commissioner.
29 The fee for said license shall be twenty-five dollars (\$25.00)
30 Licenses issued pursuant to this section may be suspended or
31 revoked by the commissioner, after hearing upon notice, in the
32 event the rating organization ceases to meet the requirements of
33 this subsection. Every rating organization shall notify the
34 commissioner promptly of every change in (a) its constitution
35 its articles of agreement or association, or its certificate of

36 incorporation, and its by-laws, rules and regulations governing
37 the conduct of its business, (b) its list of members and
38 subscribers and (c) the name and address of the resident of this
39 state designated by it upon whom notices or orders of the
40 commissioner or process affecting such rating organization may be
41 served.

42 2. Subject to rules and regulations which have been approved
43 by the commissioner as reasonable, each rating organization shall
44 permit any insurer, not a member, to be a subscriber to its
45 rating services for any kind of insurance, subdivision, or class
46 of risk or a part or combination thereof for which it is
47 authorized to act as a rating organization. Notice of proposed
48 changes in such rules and regulations shall be given to
49 subscribers. Each rating organization shall furnish its rating
50 services without discrimination to its members and subscribers.
51 The reasonableness of any rule or regulation in its application
52 to subscribers, or the refusal of any rating organization to
53 admit an insurer as a subscriber, shall, at the request of any
54 subscriber or any such insurer, be reviewed by the commissioner
55 at a hearing held upon at least ten (10) days' written notice to
56 such rating organization and to such subscriber or insurer. If
57 the commissioner finds that such rule or regulation is
58 unreasonable in its application to subscribers, he shall order
59 that such rule or regulation not be applicable to
60 subscribers. If the rating organization fails to grant or reject
61 an insurer's application for subscribership within thirty (30)
62 days after it was made, the insurer may request a review by the
63 commissioner as if the application had been rejected. If the
64 commissioner finds that the insurer has been refused admittance

65 to the rating organization as a subscriber without justification,
66 he shall order the rating organization to admit the insurer as a
67 subscriber. If he finds that the action of the rating
68 organization was justified he shall make an order affirming its
69 action.

70 3. No rating organization shall adopt any rule the effect of
71 which would be to prohibit or regulate the payment of dividends,
72 savings or unabsorbed premium deposits allowed or returned by
73 insurers to their policyholders, members or subscribers.

74 4. Cooperation among rating organizations or among rating
75 organizations and insurers in rate making or in other matters
76 within the scope of this Act is hereby authorized, provided the
77 filing resulting from such cooperation are subject to all the
78 provisions of this Act which are applicable to filings generally.
79 The commissioner may review such cooperative activities and
80 practices and if, after a hearing, he finds that any such
81 activity or practices is unfair or unreasonable or otherwise
82 inconsistent with the provisions of this Act, he may issue a
83 written order specifying in what respects such activity or
84 practice is unfair or unreasonable or otherwise inconsistent with
85 the provisions of this Act, and requiring the discontinuance of
86 such activity or practice.

87 5. Any rating organization may provide for the examination of
88 policies, daily reports, binders, renewal certificates,
89 endorsements or other evidences of insurance, or the cancellation
90 thereof, and may make reasonable rules governing their
91 submission. Such rules shall contain a provision that in the
92 event any insurer does not within sixty (60) days furnish
93 satisfactory evidence to the rating organization of the

94 correction of any error or omission previously called to its
95 attention by the rating organization, it shall be the duty of the
96 rating organization to notify the commissioner thereof. All
97 information so submitted for examination shall be confidential.
98 6. Any rating organization may subscribe for or purchase
99 actuarial, technical or other services, and such services shall
100 be available to all members and subscribers without
101 discrimination.

1 Sec. 7. Deviations.

2 Every member of or subscriber to a rating organization shall
3 adhere to the filings made on its behalf by such organization
4 except that any such insurer may make written application to the
5 commissioner to file a deviation from the class rates, schedules,
6 rating plans or rules respecting any kind of insurance, or class
7 of risk within a kind of insurance, or combination thereof. Such
8 application shall specify the basis for the modification and a
9 copy shall also be sent simultaneously to such rating
10 organization. In considering the application to file such
11 deviation the commissioner shall give consideration to the
12 available statistics and the principles for rate making as
13 provided in section three (3) of this Act. The commissioner
14 shall issue an order permitting the deviation for such insurer to
15 be filed if he finds it to be justified and it shall thereupon
16 become effective. He shall issue an order denying such
17 application if he finds that the deviation applied for does not
18 meet the requirements of this Act.

19 Each deviation permitted to be filed shall remain in effect
20 for a period of not less than one (1) year from the effective
21 date unless sooner withdrawn by the insurer with the approval of

22 the commissioner or until terminated in accordance with the
23 provisions of section five (5) of this Act.

1 Sec. 8. Appeal by Minority.

2 Any member or subscriber to a rating organization may appeal
3 to the commissioner from the action or decision of such rating
4 organization in approving or rejecting any proposed change in or
5 addition to the filings of such rating organization and the
6 commissioner shall, after a hearing held upon not less than ten
7 (10) days' written notice to the appellant, and to such rating
8 organization, issue an order approving the action or decision of
9 such rating organization or directing it to give further
10 consideration to such proposal, or, if such appeal is from the
11 action or decision of the rating organization in rejecting a
12 proposed addition to its filings, he may, in the event he finds
13 that such action or decision was unreasonable, issue an order
14 directing the rating organization to make an addition to its
15 filings, on behalf of its members and subscribers, in a manner
16 consistent with his findings, within a reasonable time after the
17 issuance of such order.

18 If such appeal is based upon the failure of the rating
19 organization to make a filing on behalf of such member or
20 subscriber, which is based on a system of expense provisions
21 which differs, in accordance with the right granted in paragraph
22 "c" of subsection one (1) of section three (3) of this Act, from
23 the system of expense provisions included in a filing made by the
24 rating organization, the commissioner shall, if he grants the
25 appeal, order the rating organization to make the requested
26 filing for use by appellant. In deciding such appeal the
27 commissioner shall apply the standards set forth in section three

28 (3) of this Act.

1 Sec. 9. Information to Be Furnished Insureds: Hearings and
2 Appeals of Insureds.

3 Every rating organization and every insurer which makes its
4 own rate shall, within a reasonable time after receiving written
5 request therefor and upon payment of such reasonable charge as it
6 may make, furnish to any insured affected by a rate made by it
7 or to the authorized representative of such insured, all
8 pertinent information as to such rate. Every rating organization
9 and every insurer which makes its own rates shall provide within
10 this state reasonable means whereby any person aggrieved by the
11 application of its rating system may be heard, in person or by
12 his authorized representative, on his written request to review
13 the manner in which such rating system has been applied in
14 connection with the insurance afforded him. If the rating
15 organization or insurer fails to grant or reject such request
16 within thirty (30) days after it is made, applicant may proceed
17 in the same manner as if his application had been rejected. Any
18 party affected by the action of such rating organization or such
19 insurer on such request may, within thirty (30) days after
20 written notice of such action, appeal to the commissioner, who,
21 after a hearing held upon not less than ten (10) days' written
22 notice to the appellant and to such rating organization or
23 insurer, may affirm or reverse such action.

1 Sec. 10. Advisory Organizations.

2 1. Every group, association or other organization of
3 insurers, whether located within or outside of this state, which
4 assists insurers which make their own filings or rating
5 organizations in rate making, by the collection and furnishing of

6 loss or expense statistics, or by the submission of
7 recommendations, but which does not make filings under this Act,
8 shall be known as an advisory organization.

9 2. Every advisory organization shall file with the
10 commissioner (a) a copy of its constitution, its articles of
11 agreement or association or its certificate of incorporation and
12 of its by-laws, rules and regulations governing its activities,
13 (b) a list of its members, (c) the name and address of a resident
14 of this state upon whom notices or orders of the commissioner or
15 process issued at his direction may be served, and (d) an
16 agreement that the commissioner may examine such advisory
17 organization in accordance with the provisions of section twelve
18 (12) of this Act.

19 3. If, after a hearing, the commissioner finds that the
20 furnishing of such information or assistance involves any act or
21 practice which is unfair or unreasonable or otherwise
22 inconsistent with the provisions of this Act, he may issue a
23 written order specifying in what respects such act or practice is
24 unfair or unreasonable or otherwise inconsistent with the
25 provisions of this Act, and requiring the discontinuance of such
26 act or practice.

27 4. No insurer which makes its own filings nor any rating
28 organization shall support its filings by statistics or adopt
29 rate making recommendations, furnished to it by an advisory
30 organization which has not complied with this section or with an
31 order of the commissioner involving such statistics or
32 recommendations issued under subsection three (3) of this
33 section. If the commissioner finds such insurer or rating
34 organization to be in violation of this subsection he may issue

35 an order requiring the discontinuance of such violation.

1 Sec. 11. Joint Underwriting or Joint Reinsurance.

2 1. Every group, association or other organization of insurers
3 which engages in joint underwriting or joint reinsurance, shall
4 be subject to regulation with respect thereto as herein provided,
5 subject, however, with respect to joint underwriting, to all
6 other provisions of this Act and, with respect to joint
7 reinsurance, to sections twelve (12) and sixteen (16) to twenty
8 (20) of this Act.

9 2. If, after a hearing, the commissioner finds that any
10 activity or practice of any such group, association or other
11 organization is unfair or unreasonable or otherwise inconsistent
12 with the provisions of this Act, he may issue a written order
13 specifying in what respects such activity or practice is unfair
14 or unreasonable or otherwise inconsistent with the provisions of
15 this Act, and requiring the discontinuance of such activity or
16 practice.

1 Sec. 12. Examinations.

2 The commissioner shall, at least once in five (5) years, make
3 or cause to be made an examination of each rating organization
4 licensed in this state as provided in section six (6) of this Act
5 and he may, as often as he may deem it expedient, make or cause
6 to be made an examination of each advisory organization referred
7 to in section ten (10) of this Act and of each group,
8 association or other organization referred to in section eleven
9 (11) of this Act. The reasonable costs of any such examination
10 shall be paid by the rating organization, advisory organization
11 or group, association or other organization examined upon
12 presentation to it of a detailed account of such costs. The

13 officers, manager, agents and employees of such rating
14 organization, advisory organization, or group, association or
15 other organization may be examined at any time under oath and
16 shall exhibit all books, records, accounts, documents, or
17 agreements governing its method of operation. In lieu of any
18 such examination the commissioner may accept the report of an
19 examination made by the insurance supervisory official of another
20 state, pursuant to the laws of such state.

1 Sec. 13. Rate Administration.

2 1. Recording and Reporting of Loss and Expense Experience.

3 The commissioner shall promulgate reasonable rules and
4 statistical plans, reasonably adapted to each of the rating
5 systems on file with him, which may be modified from time to time
6 and which shall be used thereafter by each insurer in the
7 recording and reporting of its loss and countrywide expense
8 experience, in order that the experience of all insurers may be
9 made available at least annually in such form and detail as may
10 be necessary to aid him in determining whether rating systems
11 comply with the standards set forth in section three (3) of this
12 Act. Such rules and plans may also provide for the recording and
13 reporting of expense experience items which are specially
14 applicable to this state and are not susceptible of determination
15 by a prorating of countrywide expense experience. In
16 promulgating such rules and plans, the commissioner shall give
17 due consideration to the rating systems on file with him and, in
18 order that such rules and plans may be as uniform as is
19 practicable among the several states, to the rules and to the
20 form of the plans used for such rating systems in other states.
21 No insurer shall be required to record or report its loss

22 experience on a classification basis that is inconsistent with
23 the rating system filed by it. The commissioner may designate
24 one or more organizations or other agencies to assist him
25 in gathering such experience and making compilations thereof, and
26 such compilations shall be made available, subject to reasonable
27 rules promulgated by the commissioner, to insurers and rating
28 organizations.

29 2. Interchange of Rating Plan Data. Reasonable rules and
30 plans may be promulgated by the commissioner for the interchange
31 of data necessary for the application of rating plans.

32 3. Consultation with Other States. In order to further
33 uniform administration of rate regulatory laws, the commissioner
34 and every insurer and rating organization may exchange
35 information and experience data with insurance supervisory
36 officials, insurers and rating organizations in other states and
37 may consult with them with respect to rate making and the
38 application of rating systems.

39 4. Rules and Regulations. The commissioner may make
40 reasonable rules and regulations necessary to effect the purposes
41 of this Act.

1 Sec. 14. False or Misleading Information.

2 No person or organization shall wilfully withhold information
3 from, or knowingly give false or misleading information to, the
4 commissioner, any statistical agency designated by the
5 commissioner, any rating organization, or any insurer, which will
6 affect the rates or premiums chargeable under this Act. A
7 violation of this section shall subject the one guilty of such
8 violation to the penalties provided in section sixteen (16) of
9 this Act.

1 **Sec. 15. Assigned Risks.**

2 Agreements may be made among insurers with respect to the
3 equitable apportionment among them of insurance which may be
4 afforded applicants who are in good faith entitled to but who are
5 unable to procure such insurance through ordinary methods and
6 such insurers may agree among themselves on the use of reasonable
7 rate modifications for such insurance, such agreements and rate
8 modifications to be subject to the approval of the commissioner.

1 **Sec. 16. Rebates Prohibited.**

2 No agent shall knowingly charge, demand or receive a premium
3 for any policy of insurance except in accordance with the
4 provisions of this Act. No insurer or employee thereof, and no
5 agent, shall pay, allow, or give, or offer to pay, allow, or
6 give, directly or indirectly, as an inducement to insurance or
7 after insurance has been effected, any rebate, discount,
8 abatement, credit or reduction of the premium named in a policy
9 of insurance, or any special favor or advantage in the dividends
10 or other benefits to accrue thereon, or any valuable
11 consideration or inducement whatever, not specified in the policy
12 of insurance, except to the extent provided for in an applicable
13 filing. No insured named in a policy of insurance, nor any
14 employee of such insured shall knowingly receive or accept,
15 directly or indirectly, any such rebate, discount, abatement,
16 credit or reduction of premium, or any such special favor or
17 advantage or valuable consideration or inducement.

18 Nothing in this section shall be construed as prohibiting the
19 payment of commissions or other compensation to duly licensed
20 agents, nor as prohibiting any insurer from allowing or returning
21 to its participating policyholders, members or subscribers,

22 dividends, savings or unabsorbed premium deposits. As used in
23 this section the word "insurance" includes suretyship and the
24 word "policy" includes bond.

1 **Sec. 17. Penalties.**

2 The commissioner may, if he finds that any person or
3 organization has violated any provision of this Act, impose a
4 penalty of not more than fifty dollars (\$50) for each such
5 violation, but if he finds such violation to be wilful he may
6 impose a penalty of not more than five hundred dollars (\$500) for
7 each such violation. Such penalties may be in addition to any
8 other penalty provided by law.

9 The commissioner may suspend the license of any rating
10 organization or insurer which fails to comply with an order of
11 the commissioner within the time limited by such order, or any
12 extension thereof which the commissioner may grant. The
13 commissioner shall not suspend the license of any rating
14 organization or insurer for failure to comply with an order until
15 the time prescribed for an appeal therefrom has expired or if an
16 appeal has been taken, until such order has been affirmed. The
17 commissioner may determine when a suspension of license shall
18 become effective and it shall remain in effect for the period
19 fixed by him, unless he modifies or rescinds such suspension, or
20 until the order upon which such suspension is based is modified,
21 rescinded or reversed.

22 No penalty shall be imposed and no license shall be suspended
23 or revoked except upon a written order of the commissioner,
24 stating his findings, made after a hearing held upon not less
25 than ten (10) days' written notice to such person or organization
26 specifying the alleged violation.

1 Sec. 18. Hearing Procedure and Judicial Review.

2 1. Any insurer or rating organization to which the
3 commissioner has directed an order made without a hearing may,
4 within thirty (30) days after notice to it of such order, make
5 written request to the commissioner for a hearing thereon. The
6 commissioner shall hear such party or parties within twenty (20)
7 days after receipt of such request and shall give not less than
8 ten (10) days' written notice of the time and place of the
9 hearing. Within fifteen (15) days after such hearing the
10 commissioner shall affirm, reverse or modify his previous action,
11 specifying his reasons therefor. Pending such hearing and
12 decision thereon the commissioner may suspend or postpone the
13 effective date of his previous action.

14 2. Nothing contained in this Act shall require the observance
15 at any hearing of formal rules of pleading or evidence.

16 3. Any order or decision of the commissioner shall be subject
17 to review by writ of certiorari to the district court at the
18 instance of any party in interest.

19 The court shall determine whether the filing of the petition
20 for such writ shall operate as a stay of any such order or
21 decision of the commissioner. The court may, in disposing of the
22 issue before it, modify, affirm or reverse the order or decision
23 of the commissioner in whole or in part.

1 Sec. 19. Law Repealed.

2 1. Chapter five hundred fifteen A (515A) and chapter five
3 hundred fifteen B (515B), Code 1962, are hereby repealed.

4 2. Section five hundred seven B point four (507B.4), Code
5 1962, subsection nine (9), is amended by striking therefrom the
6 words and figures "section 515A.16 or 515B.15" and substituting

7 therefor "section sixteen (16) of this Act".

1 Sec. 20. Laws Affected. Compliance with this Act shall not
2 be deemed to be a violation of section five hundred fifteen point
3 one hundred thirty-one (515.131), Code 1962.

1 Sec. 21. Constitutionality.

2 If any section, subsection, subdivision, paragraph, sentence
3 or clause of this Act is held invalid or unconstitutional, such
4 decision shall not affect the remaining portions of this Act.

EXPLANATION OF HOUSE FILE 212

The separate rate laws presently found in chapters 515A and 515B were drafted and enacted twenty years ago subsequent to the Southeastern Underwriters case in which the Supreme Court declared insurance to be interstate commerce. The combination of coverages of the so-called package policies and the experience gained through almost two decades of administration of the separate laws dictate that they be combined and up-dated in certain respects. This bill would do that, and is a model bill prepared and endorsed by the National Association of Insurance Commissioners.

HOUSE FILE 212

- 1 Amend House File 212 as follows:
- 2 Amend House File 212 by inserting the word "underwriting"
- 3 after the word "for" in line eight (8) of paragraph "b",
- 4 subsection one (1) of section three (3).

Filed
February 16, 1965.

adopted
2/17

KLUEVER of Cass.