

Reprinted 3/87

MAR 13 1987

Place On Calendar

HOUSE FILE 506

BY COMMITTEE ON SMALL
BUSINESS AND COMMERCE

(Formerly House Study Bill 241)

Passed House, Date 3-20-87 (p 710) Passed Senate, Date 4-13-87 (P.1258)

Vote: Ayes 93 Nays 0 Vote: Ayes 50 Nays 0

Approved May 15, 1987

A BILL FOR

1 An Act relating to the regulation of the insurance business
2 conducted in the state by the insurance division of the
3 department of commerce.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

5

HOUSE FILE 506

H-3218

1 Amend House File 506 as follows:

2 1. Page 3, line 14, by inserting after the word
3 "mailing" the words "; however, such a certificate of
4 mailing is not required if cancellation is for
5 nonpayment of premium."

H-3218 FILED MARCH 19, 1987 BY GRONINGA of Cerro Gordo

Adopted 3/20/87 (p 710)

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TLSB 2755HC 72

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1 Section 1. Section 505.13, Code 1987, is amended by
2 striking the section and inserting in lieu thereof the
3 following:

4 505.13 OTHER INSURANCE -- REPORTS BY THE DIVISION.

5 1. The commissioner shall annually cause the preparation
6 and printing of a report to be delivered to the governor. The
7 report shall contain information from the statements required
8 of insurance companies, other than life insurance companies,
9 organized or doing business in the state. The reports shall
10 be delivered on or before the first day of August each year.

11 2. The commissioner shall semiannually cause the
12 preparation and printing of a report to be delivered to the
13 general assembly on or before the thirty-first day of July and
14 the thirty-first day of December each year. The report shall
15 contain information on the state of the insurance business and
16 any impending problems foreseen by the commissioner which
17 would affect the insurance business conducted in the state or
18 the regulation of that insurance business by the division.

19 Sec. 2. NEW SECTION. 505.15 ACTUARIAL STAFF.

20 The commissioner may appoint a staff of actuaries as
21 necessary to carry out the duties of the division. The
22 actuarial staff shall:

- 23 1. Perform analyses of rate filings.
- 24 2. Perform audits of submitted loss data.
- 25 3. Conduct rate hearings and serve as expert witnesses.
- 26 4. Prepare, review, and dispense data on the insurance
27 business.
- 28 5. Assist in public education concerning the insurance
29 business.
- 30 6. Identify any impending problem areas in the insurance
31 business.
- 32 7. Assist in examinations of insurance companies.

33 Sec. 3. Section 515.80, Code 1987, is amended by striking
34 the section and inserting in lieu thereof the following:

35 515.80 CANCELLATION OF POLICY OR CONTRACT.

1 1. A policy or contract of insurance which has not been
2 previously renewed may be canceled by the insurer if it has
3 been in effect for less than sixty days at the time notice of
4 cancellation is mailed or delivered.

5 2. A commercial line policy or contract of insurance which
6 has been renewed or which has been in effect for more than
7 sixty days may not be canceled unless at least one of the
8 following conditions occurs:

9 a. Nonpayment of premium.

10 b. Misrepresentation or fraud made by or with the
11 knowledge of the insured in obtaining the policy or contract,
12 when renewing the policy or contract, or in presenting a claim
13 under the policy or contract.

14 c. Actions by the insured which substantially change or
15 increase the risk insured.

16 d. Determination by the commissioner that the continuation
17 of the policy would jeopardize the insurer's solvency or would
18 constitute a violation of the law of this or any other state.

19 e. The insured has acted in a manner which the insured
20 knew or should have known was in violation or breach of a
21 policy or contract term or condition.

22 3. A policy or contract of insurance may be canceled at
23 any time if the insurer loses reinsurance coverage which
24 provides coverage to the insurer for a significant portion of
25 the underlying risk insured and if the commissioner determines
26 that cancellation because of loss of reinsurance coverage is
27 justified. In determining whether a cancellation for loss of
28 reinsurance coverage is justified, the commissioner shall
29 consider the following factors:

30 a. The volatility of the premiums charged for reinsurance
31 in the market.

32 b. The number of reinsurers in the market.

33 c. The variance in the premiums for reinsurance offered by
34 the reinsurers in the market.

35 d. The attempt by the insurer to obtain alternate rein-

1 surance.

2 e. Any other factors deemed necessary by the commissioner.

3 4. A policy or contract of insurance shall not be canceled
4 except by notice to the insured as provided in this
5 subsection. A notice of cancellation shall include the reason
6 for cancellation of the policy or contract. A notice of
7 cancellation is not effective unless mailed or delivered to
8 the named insured and a loss payee at least ten days prior to
9 the effective date of cancellation, or if the cancellation is
10 because of loss of reinsurance, at least thirty days prior to
11 the effective date of cancellation. A post office department
12 certificate of mailing to the named insured at the address
13 shown in the policy or contract is proof of receipt of the
14 mailing.

15 Sec. 4. Section 515.81, Code 1987, is amended by striking
16 the section and inserting in lieu thereof the following:

17 515.81 NONRENEWAL OF POLICY OR CONTRACT.

18 An insurer shall not fail to renew a policy or contract of
19 insurance except by notice to the insured as provided in this
20 section. Nonrenewal of a policy or contract includes a deci-
21 sion by the insurer not to renew the policy or contract, an
22 increase in the premium of twenty-five percent or more, an in-
23 crease in the deductible of twenty-five percent or more, or a
24 material reduction in the limits or coverage of the policy or
25 contract. However, a premium charge which is assessed after
26 the beginning date of the policy period for which the premium
27 is due shall not be deemed a premium increase for the purpose
28 of this section.

29 A notice of nonrenewal is not effective unless mailed or
30 delivered by the insurer to the named insured and any loss
31 payee at least forty-five days prior to the expiration date of
32 the policy. If the insurer fails to meet the notice
33 requirements of this section, the insured has the option of
34 continuing the policy for the remainder of the notice period
35 plus an additional thirty days at the premium rate of the

1 existing policy or contract. A post office department
2 certificate of mailing to the named insured at the address
3 shown in the policy or contract is proof of receipt of the
4 mailing.

5 This section does not apply if the insurer has offered to
6 renew or if the insured fails to pay a premium due or any
7 advance premium required by the insurer for renewal.

8 Sec. 5. Section 515A.4, subsection 1, unnumbered paragraph
9 2, Code 1987, is amended to read as follows:

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

27 Sec. 6. NEW SECTION. 515A.20 DEFINITIONS.

28 As used in sections 515A.21 through 515A.25 unless the
29 context otherwise requires:

30 1. "Market" means the interaction between buyers and
31 sellers consisting of a product market component and a
32 geographic market component. A product market component
33 consists of identical or readily substitutable products
34 including, but not limited to, consideration of coverage,
35 policy terms, rate classifications, and underwriting. A

1 geographic component is a geographical area in which buyers
2 have a reasonable degree of access to the insurance product
3 through sales outlets or other marketing mechanisms.

4 2. "Competitive market" means a market for which an order
5 is in effect pursuant to section 515A.22 that a reasonable
6 degree of competition does exist.

7 3. "Noncompetitive market" means a market which has not
8 been found to be competitive pursuant to section 515A.22.

9 Sec. 7. NEW SECTION. 515A.21 SCOPE OF APPLICATION.

10 Section 515A.20 and sections 515A.22 through 515A.25 apply
11 to all forms of casualty insurance except those described in
12 sections 515A.11 and 515A.15, and those excluded by section
13 515A.2.

14 Sec. 8. NEW SECTION. 515A.22 COMPETITIVE MARKET.

15 1. A noncompetitive market is presumed to exist unless the
16 commissioner determines after a hearing that a reasonable
17 degree of competition exists in the market and the
18 commissioner issues an order to that effect. Such an order
19 shall not become effective until sixty days after the date of
20 the order and shall expire not later than one year thereafter
21 unless the commissioner renews the order. Any affected
22 insurer or insured may petition for a hearing on the renewal
23 of an order relating to competitive status.

24 2. In determining whether a reasonable degree of
25 competition exists, the commissioner shall consider relevant
26 factors of workable competition pertaining to the market
27 structure, market performance, and market conduct, and the
28 practical opportunities available to consumers in the market
29 to obtain pricing and other consumer information and to
30 compare and obtain insurance from competing insurers. Such
31 factors may include, but are not limited to, the following:

32 a. The size and number of insurers actually engaged in the
33 market.

34 b. The profitability for insurers generally in the market
35 segment and whether that profitability is unreasonably high.

1 c. The price variance on premiums offered in the market.

2 d. The availability of consumer information concerning the
3 product and sales outlets or other sales mechanisms.

4 e. The efforts of insurers to provide consumer
5 information.

6 f. Consumer complaints regarding the market generally.

7 Sec. 9. NEW SECTION. 515A.23 NONCOMPETITIVE MARKET.

8 Unless the commissioner has determined a market to be
9 competitive, the provisions of sections 515A.1 through 515A.19
10 apply.

11 Sec. 10. NEW SECTION. 515A.24 FILING OF RATES IN A
12 COMPETITIVE MARKET.

13 1. Subject to the exception specified in section 515A.4,
14 subsection 5, a competitive filing shall become effective when
15 filed and shall be deemed to meet the requirements of section
16 515A.3 as long as the filing remains in effect unless it is
17 disapproved upon review by the commissioner.

18 2. In a competitive market, every insurer shall file with
19 the commissioner all rates and supplementary rate information
20 which are used in this state. The rates and supplementary
21 rate information shall be filed not later than fifteen days
22 after the effective date of the rates.

23 3. In a competitive market, if the commissioner finds that
24 an insurer's rates require closer supervision because of the
25 insurer's financial condition or unfairly discriminatory
26 rating practices, the insurer shall file with the commissioner
27 at least thirty days prior to the effective date of the rates
28 all the rates and supplementary rate information and
29 supporting information as prescribed by the commissioner.
30 Upon application by the filer, the commissioner may authorize
31 an earlier effective date.

32 Sec. 11. NEW SECTION. 515A.25 DISAPPROVAL OF A RATE
33 FILING IN A COMPETITIVE MARKET.

34 1. If the commissioner believes that an insurer's rate
35 filing in a competitive market violates the requirements of

1 section 515A.3, the commissioner may require the insurer to
2 file supporting information. If after reviewing the
3 supporting information the commissioner continues to believe
4 that the filing violates section 515A.3, the commissioner
5 shall notify the insurer of the insurer's right to petition
6 for a hearing on any subsequent order relating to the filing.

7 2. The commissioner may disapprove prefiled rates that
8 have not become effective. However, the commissioner shall
9 notify the insurer whose rates have been disapproved of the
10 insurer's right to petition for a hearing on the disapproval
11 within thirty days after the disapproval.

12 3. If the commissioner disapproves a filing in a
13 competitive market, the commissioner shall issue an order
14 specifying the reasons the filing fails to meet the
15 requirements of section 515A.3. For rates in effect at the
16 time of disapproval, the commissioner shall inform the insurer
17 within a reasonable period of time the date when further use
18 of the rates for policies or contracts of insurance is
19 prohibited. The order shall be issued within thirty days of
20 disapproval, or within thirty days of a hearing on the
21 disapproval if a hearing is held. The order may include a
22 provision for premium adjustment for the period after the
23 effective date of the order for policies or contracts in
24 effect on the date of the order.

25 4. Whenever an insurer has filed no legally effective
26 rates as a result of the commissioner's disapproval of a
27 filing, the commissioner shall on request of the insurer work
28 with the insurer to develop interim rates for the insurer that
29 are sufficient to protect the interest of all parties and the
30 commissioner may order that a specified portion of the premium
31 be placed in an escrow account approved by the commissioner.
32 When new rates become legally effective, the commissioner
33 shall order the escrowed funds or any overcharge in the
34 interim rates to be distributed appropriately. The
35 commissioner may waive distribution if the commissioner

1 determines that the amount involved would not warrant such
2 action.

3 EXPLANATION

4 This bill makes certain changes relating to the duties and
5 resources of the insurance commissioner regarding the
6 regulation of the insurance business conducted in the state.

7 The bill requires the insurance commissioner to semian-
8 nually make a report to the governor with information from
9 statements required of insurance companies, other than life
10 insurance companies, doing business in the state. The
11 commissioner is also required to make a report to the general
12 assembly each year with information on the state of the
13 insurance business and any problem areas foreseen.

14 The bill authorizes the commissioner to appoint a staff of
15 actuaries to perform analyses of rate filings, perform audits
16 of submitted loss data, conduct rate hearings, prepare data,
17 assist in public education, identify impending problem areas,
18 and assist in examinations of insurance companies.

19 The bill imposes new restrictions on cancellation or nonre-
20 newal of insurance policies. Cancellation of insurance poli-
21 cies after they have been renewed or 60 days after first going
22 into effect is prohibited except for certain express reasons.
23 Notice of cancellation is required at least ten days prior to
24 the date of cancellation and the notice must include the
25 reason for cancellation. Notice of nonrenewal is required to
26 be delivered at least 45 days prior to termination of the
27 policy. Nonrenewal is deemed to include not only a decision
28 by the insurer not to renew the policy, but also to include an
29 increase in the premium of 25 percent or more, an increase in
30 the deductible of 25 percent or more, or a material reduction
31 in coverage or limits on the policy.

32 The bill also changes procedure regarding rate filings.
33 The commissioner will determine which insurance lines are
34 competitive and which are noncompetitive. Competitive
35 insurance rate filings will be deemed to meet the requirements

1 of the Code and will go into effect when filed subject to
2 later review by the commissioner. If on review the rate
3 filings are disapproved, the rates will be rolled back to
4 those approved previously or to new approved rates, and
5 refunds will be made to the purchasers of the insurance.
6 Noncompetitive insurance rate filings will not go into effect
7 until reviewed and approved by the commissioner. All rate
8 filings will remain subject to disapproval after review after
9 ten days' written notice and a hearing.

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Senate Committee 3/24/87 S. Pass 4/9/87 (p. 1185)

HOUSE FILE 506
BY COMMITTEE ON SMALL
BUSINESS AND COMMERCE

(As Amended and Passed by the House March 20, 1987)

By Passed House, Date 4/22/87 (p. 1577) Passed Senate, Date 4-13-87 (p. 1258)
Vote: Ayes 96 Nays 0 Vote: Ayes 50 Nays 0
Approved May 15, 1987

A BILL FOR

- 1 An Act relating to the regulation of the insurance business
- 2 conducted in the state by the insurance division of the
- 3 department of commerce.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HOUSE FILE 506

S-3408

- 1 Amend House File 506, as amended, passed, and re-
- 2 printed by the House, as follows:
- 3 1. Page 3, by inserting after line 15 the fol-
- 4 lowing:
- 5 "5. This section applies to all forms of property
- 6 and casualty insurance written pursuant to this
- 7 chapter."
- 8 2. Page 4, line 6, by inserting after the word
- 9 "section" the following: "applies to all forms of
- 10 property and casualty insurance written pursuant to
- 11 this chapter. It".

S-3408

Filed April 3, 1987

Adopted 4/13/87 (p. 1258)

BY WILLIAM D. PALMER

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1 Section 1. Section 505.13, Code 1987, is amended by
2 striking the section and inserting in lieu thereof the
3 following:

4 505.13 OTHER INSURANCE -- REPORTS BY THE DIVISION.

5 1. The commissioner shall annually cause the preparation
6 and printing of a report to be delivered to the governor. The
7 report shall contain information from the statements required
8 of insurance companies, other than life insurance companies,
9 organized or doing business in the state. The reports shall
10 be delivered on or before the first day of August each year.

11 2. The commissioner shall semiannually cause the
12 preparation and printing of a report to be delivered to the
13 general assembly on or before the thirty-first day of July and
14 the thirty-first day of December each year. The report shall
15 contain information on the state of the insurance business and
16 any impending problems foreseen by the commissioner which
17 would affect the insurance business conducted in the state or
18 the regulation of that insurance business by the division.

19 Sec. 2. NEW SECTION. 505.15 ACTUARIAL STAFF.

20 The commissioner may appoint a staff of actuaries as
21 necessary to carry out the duties of the division. The
22 actuarial staff shall:

- 23 1. Perform analyses of rate filings.
- 24 2. Perform audits of submitted loss data.
- 25 3. Conduct rate hearings and serve as expert witnesses.
- 26 4. Prepare, review, and dispense data on the insurance
27 business.
- 28 5. Assist in public education concerning the insurance
29 business.
- 30 6. Identify any impending problem areas in the insurance
31 business.
- 32 7. Assist in examinations of insurance companies.

33 Sec. 3. Section 515.80, Code 1987, is amended by striking
34 the section and inserting in lieu thereof the following:

35 515.80 CANCELLATION OF POLICY OR CONTRACT.

1 1. A policy or contract of insurance which has not been
2 previously renewed may be canceled by the insurer if it has
3 been in effect for less than sixty days at the time notice of
4 cancellation is mailed or delivered.

5 2. A commercial line policy or contract of insurance which
6 has been renewed or which has been in effect for more than
7 sixty days may not be canceled unless at least one of the
8 following conditions occurs:

9 a. Nonpayment of premium.

10 b. Misrepresentation or fraud made by or with the
11 knowledge of the insured in obtaining the policy or contract,
12 when renewing the policy or contract, or in presenting a claim
13 under the policy or contract.

14 c. Actions by the insured which substantially change or
15 increase the risk insured.

16 d. Determination by the commissioner that the continuation
17 of the policy would jeopardize the insurer's solvency or would
18 constitute a violation of the law of this or any other state.

19 e. The insured has acted in a manner which the insured
20 knew or should have known was in violation or breach of a
21 policy or contract term or condition.

22 3. A policy or contract of insurance may be canceled at
23 any time if the insurer loses reinsurance coverage which
24 provides coverage to the insurer for a significant portion of
25 the underlying risk insured and if the commissioner determines
26 that cancellation because of loss of reinsurance coverage is
27 justified. In determining whether a cancellation for loss of
28 reinsurance coverage is justified, the commissioner shall
29 consider the following factors:

30 a. The volatility of the premiums charged for reinsurance
31 in the market.

32 b. The number of reinsurers in the market.

33 c. The variance in the premiums for reinsurance offered by
34 the reinsurers in the market.

35 d. The attempt by the insurer to obtain alternate rein-

1 surance.

2 e. Any other factors deemed necessary by the commissioner.

3 4. A policy or contract of insurance shall not be canceled
4 except by notice to the insured as provided in this
5 subsection. A notice of cancellation shall include the reason
6 for cancellation of the policy or contract. A notice of
7 cancellation is not effective unless mailed or delivered to
8 the named insured and a loss payee at least ten days prior to
9 the effective date of cancellation, or if the cancellation is
10 because of loss of reinsurance, at least thirty days prior to
11 the effective date of cancellation. A post office department
12 certificate of mailing to the named insured at the address
13 shown in the policy or contract is proof of receipt of the
14 mailing; however, such a certificate of mailing is not
15 required if cancellation is for nonpayment of premium.

16 Sec. 4. Section 515.81, Code 1987, is amended by striking
17 the section and inserting in lieu thereof the following:

18 515.81 NONRENEWAL OF POLICY OR CONTRACT.

19 An insurer shall not fail to renew a policy or contract of
20 insurance except by notice to the insured as provided in this
21 section. Nonrenewal of a policy or contract includes a deci-
22 sion by the insurer not to renew the policy or contract, an
23 increase in the premium of twenty-five percent or more, an in-
24 crease in the deductible of twenty-five percent or more, or a
25 material reduction in the limits or coverage of the policy or
26 contract. However, a premium charge which is assessed after
27 the beginning date of the policy period for which the premium
28 is due shall not be deemed a premium increase for the purpose
29 of this section.

30 A notice of nonrenewal is not effective unless mailed or
31 delivered by the insurer to the named insured and any loss
32 payee at least forty-five days prior to the expiration date of
33 the policy. If the insurer fails to meet the notice
34 requirements of this section, the insured has the option of
35 continuing the policy for the remainder of the notice period

1 plus an additional thirty days at the premium rate of the
2 existing policy or contract. A post office department
3 certificate of mailing to the named insured at the address
4 shown in the policy or contract is proof of receipt of the
5 mailing.

6 This section does not apply if the insurer has offered to
7 renew or if the insured fails to pay a premium due or any
8 advance premium required by the insurer for renewal.

9 Sec. 5. Section 515A.4, subsection 1, unnumbered paragraph
10 2, Code 1987, is amended to read as follows:

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

28 Sec. 6. NEW SECTION. 515A.20 DEFINITIONS.

29 As used in sections 515A.21 through 515A.25 unless the
30 context otherwise requires:

31 1. "Market" means the interaction between buyers and
32 sellers consisting of a product market component and a
33 geographic market component. A product market component
34 consists of identical or readily substitutable products
35 including, but not limited to, consideration of coverage,

1 policy terms, rate classifications, and underwriting. A
2 geographic component is a geographical area in which buyers
3 have a reasonable degree of access to the insurance product
4 through sales outlets or other marketing mechanisms.

5 2. "Competitive market" means a market for which an order
6 is in effect pursuant to section 515A.22 that a reasonable
7 degree of competition does exist.

8 3. "Noncompetitive market" means a market which has not
9 been found to be competitive pursuant to section 515A.22.

10 Sec. 7. NEW SECTION. 515A.21 SCOPE OF APPLICATION.

11 Section 515A.20 and sections 515A.22 through 515A.25 apply
12 to all forms of casualty insurance except those described in
13 sections 515A.11 and 515A.15, and those excluded by section
14 515A.2.

15 Sec. 8. NEW SECTION. 515A.22 COMPETITIVE MARKET.

16 1. A noncompetitive market is presumed to exist unless the
17 commissioner determines after a hearing that a reasonable
18 degree of competition exists in the market and the
19 commissioner issues an order to that effect. Such an order
20 shall not become effective until sixty days after the date of
21 the order and shall expire not later than one year thereafter
22 unless the commissioner renews the order. Any affected
23 insurer or insured may petition for a hearing on the renewal
24 of an order relating to competitive status.

25 2. In determining whether a reasonable degree of
26 competition exists, the commissioner shall consider relevant
27 factors of workable competition pertaining to the market
28 structure, market performance, and market conduct, and the
29 practical opportunities available to consumers in the market
30 to obtain pricing and other consumer information and to
31 compare and obtain insurance from competing insurers. Such
32 factors may include, but are not limited to, the following:

33 a. The size and number of insurers actually engaged in the
34 market.

35 b. The profitability for insurers generally in the market

1 segment and whether that profitability is unreasonably high.

2 c. The price variance on premiums offered in the market.

3 d. The availability of consumer information concerning the
4 product and sales outlets or other sales mechanisms.

5 e. The efforts of insurers to provide consumer
6 information.

7 f. Consumer complaints regarding the market generally.

8 Sec. 9. NEW SECTION. 515A.23 NONCOMPETITIVE MARKET.

9 Unless the commissioner has determined a market to be
10 competitive, the provisions of sections 515A.1 through 515A.19
11 apply.

12 Sec. 10. NEW SECTION. 515A.24 FILING OF RATES IN A
13 COMPETITIVE MARKET.

14 1. Subject to the exception specified in section 515A.4,
15 subsection 5, a competitive filing shall become effective when
16 filed and shall be deemed to meet the requirements of section
17 515A.3 as long as the filing remains in effect unless it is
18 disapproved upon review by the commissioner.

19 2. In a competitive market, every insurer shall file with
20 the commissioner all rates and supplementary rate information
21 which are used in this state. The rates and supplementary
22 rate information shall be filed not later than fifteen days
23 after the effective date of the rates.

24 3. In a competitive market, if the commissioner finds that
25 an insurer's rates require closer supervision because of the
26 insurer's financial condition or unfairly discriminatory
27 rating practices, the insurer shall file with the commissioner
28 at least thirty days prior to the effective date of the rates
29 all the rates and supplementary rate information and
30 supporting information as prescribed by the commissioner.
31 Upon application by the filer, the commissioner may authorize
32 an earlier effective date.

33 Sec. 11. NEW SECTION. 515A.25 DISAPPROVAL OF A RATE
34 FILING IN A COMPETITIVE MARKET.

35 1. If the commissioner believes that an insurer's rate

1 filing in a competitive market violates the requirements of
2 section 515A.3, the commissioner may require the insurer to
3 file supporting information. If after reviewing the
4 supporting information the commissioner continues to believe
5 that the filing violates section 515A.3, the commissioner
6 shall notify the insurer of the insurer's right to petition
7 for a hearing on any subsequent order relating to the filing.

8 2. The commissioner may disapprove prefiled rates that
9 have not become effective. However, the commissioner shall
10 notify the insurer whose rates have been disapproved of the
11 insurer's right to petition for a hearing on the disapproval
12 within thirty days after the disapproval.

13 3. If the commissioner disapproves a filing in a
14 competitive market, the commissioner shall issue an order
15 specifying the reasons the filing fails to meet the
16 requirements of section 515A.3. For rates in effect at the
17 time of disapproval, the commissioner shall inform the insurer
18 within a reasonable period of time the date when further use
19 of the rates for policies or contracts of insurance is
20 prohibited. The order shall be issued within thirty days of
21 disapproval, or within thirty days of a hearing on the
22 disapproval if a hearing is held. The order may include a
23 provision for premium adjustment for the period after the
24 effective date of the order for policies or contracts in
25 effect on the date of the order.

26 4. Whenever an insurer has filed no legally effective
27 rates as a result of the commissioner's disapproval of a
28 filing, the commissioner shall on request of the insurer work
29 with the insurer to develop interim rates for the insurer that
30 are sufficient to protect the interest of all parties and the
31 commissioner may order that a specified portion of the premium
32 be placed in an escrow account approved by the commissioner.
33 When new rates become legally effective, the commissioner
34 shall order the escrowed funds or any overcharge in the
35 interim rates to be distributed appropriately. The

1 commissioner may waive distribution if the commissioner
2 determines that the amount involved would not warrant such
3 action.

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SENATE AMENDMENT TO HOUSE FILE 506

H-3770

1 Amend House File 506, as amended, passed, and re-
2 printed by the House, as follows:

3 1. Page 3, by inserting after line 15 the fol-
4 lowing:

5 "5. This section applies to all forms of property
6 and casualty insurance written pursuant to this
7 chapter."

8 2. Page 4, line 6, by inserting after the word
9 "section" the following: "applies to all forms of
10 property and casualty insurance written pursuant to
11 this chapter. It".

H-3770 FILED APRIL 15, 1987 RECEIVED FROM THE SENATE
House concurred 4/22/87 (p. 1577)

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NSB 241

SMALL BUSINESS AND COMMERCE

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
SMALL BUSINESS AND COMMERCE
BILL)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the regulation of the insurance business
2 conducted in the state by the insurance division of the
3 department of commerce.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *Tracy*
COMMITTEE: *Small Business*
3/9/87

1 Section 1. Section 505.13, Code 1987, is amended by
2 striking the section and inserting in lieu thereof the
3 following:

4 505.13 OTHER INSURANCE -- REPORTS BY THE DIVISION.

5 1. The commissioner shall semiannually cause the prepara-
6 tion and printing of a report to be delivered to the governor.
7 The report shall contain information from the statements re-
8 quired of insurance companies, other than life insurance
9 companies, organized or doing business in the state. The
10 reports shall be delivered on or before the first day of
11 February and the first day of August each year.

12 2. The commissioner shall cause the preparation and
13 printing of a report to be delivered to the general assembly
14 on or before the thirty-first day of December each year. The
15 report shall contain information on the state of the insurance
16 business and any impending problems foreseen by the
17 commissioner which would affect the insurance business
18 conducted in the state or the regulation of that insurance
19 business by the division.

20 Sec. 2. NEW SECTION. 505.15 ACTUARIAL STAFF.

21 The commissioner may appoint a staff of actuaries as
22 necessary to carry out the duties of the division. The
23 actuarial staff shall:

- 24 1. Perform analyses of rate filings.
- 25 2. Perform audits of submitted loss data.
- 26 3. Conduct rate hearings and serve as expert witnesses.
- 27 4. Prepare, review, and dispense data on the insurance
28 business.
- 29 5. Assist in public education concerning the insurance
30 business.
- 31 6. Identify any impending problem areas in the insurance
32 business.
- 33 7. Assist in examinations of insurance companies.

34 Sec. 3. Section 515.80, Code 1987, is amended by striking
35 the section and inserting in lieu thereof the following:

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1 515.80 CANCELLATION OF POLICY OR CONTRACT.

2 1. A policy or contract of insurance which has not been
3 previously renewed may be canceled by the insurer if it has
4 been in effect for less than sixty days at the time notice of
5 cancellation is mailed or delivered.

6 2. A commercial line policy or contract of insurance which
7 has been renewed or which has been in effect for more than
8 sixty days may not be canceled unless at least one of the
9 following conditions occurs:

10 a. Nonpayment of premium.

11 b. Misrepresentation or fraud made by or with the
12 knowledge of the insured in obtaining the policy or contract,
13 when renewing the policy or contract, or in presenting a claim
14 under the policy or contract.

15 c. Actions by the insured which substantially change or
16 increase the risk insured.

17 d. Determination by the commissioner that the continuation
18 of the policy would jeopardize the insurer's solvency or would
19 constitute a violation of the law of this or any other state.

20 e. The insured has acted in a manner which the insured
21 knew or should have known was in violation or breach of a
22 policy or contract term or condition.

23 3. A policy or contract of insurance may be canceled at
24 any time if the insurer loses reinsurance coverage which
25 provides coverage to the insurer for a significant portion of
26 the underlying risk insured and if the commissioner determines
27 that cancellation because of loss of reinsurance coverage is
28 justified. In determining whether a cancellation for loss of
29 reinsurance coverage is justified, the commissioner shall
30 consider the following factors:

31 a. The volatility of the premiums charged for reinsurance
32 in the market.

33 b. The number of reinsurers in the market.

34 c. The variance in the premiums for reinsurance offered by
35 the reinsurers in the market.

1 d. The attempt by the insurer to obtain alternate rein-
2 surance.

3 e. Any other factors deemed necessary by the commissioner.

4 4. A policy or contract of insurance shall not be canceled
5 except by notice to the insured as provided in this
6 subsection. A notice of cancellation shall include the reason
7 for cancellation of the policy or contract. A notice of
8 cancellation is not effective unless mailed or delivered to
9 the named insured and a loss payee at least ten days prior to
10 the effective date of cancellation, or if the cancellation is
11 because of loss of reinsurance, at least thirty days prior to
12 the effective date of cancellation. A post office department
13 certificate of mailing to the named insured at the address
14 shown in the policy or contract is proof of receipt of the
15 mailing.

16 Sec. 4. Section 515.81, Code 1987, is amended by striking
17 the section and inserting in lieu thereof the following:

18 515.81 NONRENEWAL OF POLICY OR CONTRACT.

19 An insurer shall not fail to renew a policy or contract of
20 insurance except by notice to the insured as provided in this
21 section. Nonrenewal of a policy or contract includes a deci-
22 sion by the insurer not to renew the policy or contract, an
23 increase in the premium of twenty-five percent or more, an in-
24 crease in the deductible of twenty-five percent or more, or a
25 material reduction in the limits or coverage of the policy or
26 contract. However, a premium charge which is assessed after
27 the beginning date of the policy period for which the premium
28 is due shall not be deemed a premium increase for the purpose
29 of this section.

30 A notice of nonrenewal is not effective unless mailed or
31 delivered by the insurer to the named insured and any loss
32 payee at least forty-five days prior to the expiration date of
33 the policy. If the insurer fails to meet the notice
34 requirements of this section, the insured has the option of
35 continuing the policy for the remainder of the notice period

1 plus an additional thirty days at the premium rate of the
2 existing policy or contract. A post office department
3 certificate of mailing to the named insured at the address
4 shown in the policy or contract is proof of receipt of the
5 mailing.

6 This section does not apply if the insurer has offered to
7 renew or if the insured fails to pay a premium due or any
8 advance premium required by the insurer for renewal.

9 Sec. 5. Section 515A.4, subsection 1, unnumbered paragraph
10 2, Code 1987, is amended to read as follows:

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

28 Sec. 6. NEW SECTION. 515A.20 DEFINITIONS.

29 As used in sections 515A.21 through 515A.25 unless the
30 context otherwise requires:

31 1. "Market" means the interaction between buyers and
32 sellers consisting of a product market component and a
33 geographic market component. A product market component
34 consists of identical or readily substitutable products
35 including, but not limited to, consideration of coverage,

1 policy terms, rate classifications, and underwriting. A
2 geographic component is a geographical area in which buyers
3 have a reasonable degree of access to the insurance product
4 through sales outlets or other marketing mechanisms.

5 2. "Competitive market" means a market for which an order
6 is in effect pursuant to section 515A.22 that a reasonable
7 degree of competition does exist.

8 3. "Noncompetitive market" means a market which has not
9 been found to be competitive pursuant to section 515A.22.

10 Sec. 7. NEW SECTION. 515A.21 SCOPE OF APPLICATION.

11 Section 515A.20 and sections 515A.22 through 515A.25 apply
12 to all forms of casualty insurance except those described in
13 sections 515A.11 and 515A.15, and those excluded by section
14 515A.2.

15 Sec. 8. NEW SECTION. 515A.22 COMPETITIVE MARKET.

16 1. A noncompetitive market is presumed to exist unless the
17 commissioner determines after a hearing that a reasonable
18 degree of competition exists in the market and the
19 commissioner issues an order to that effect. Such an order
20 shall not become effective until sixty days after the date of
21 the order and shall expire not later than one year thereafter
22 unless the commissioner renews the order. Any affected
23 insurer or insured may petition for a hearing on the renewal
24 of an order relating to competitive status.

25 2. In determining whether a reasonable degree of
26 competition exists, the commissioner shall consider relevant
27 factors of workable competition pertaining to the market
28 structure, market performance, and market conduct, and the
29 practical opportunities available to consumers in the market
30 to obtain pricing and other consumer information and to
31 compare and obtain insurance from competing insurers. Such
32 factors may include, but are not limited to, the following:

33 a. The size and number of insurers actually engaged in the
34 market.

35 b. The profitability for insurers generally in the market

1 segment and whether that profitability is unreasonably high.

2 c. The price variance on premiums offered in the market.

3 d. The availability of consumer information concerning the
4 product and sales outlets or other sales mechanisms.

5 e. The efforts of insurers to provide consumer
6 information.

7 f. Consumer complaints regarding the market generally.

8 Sec. 9. NEW SECTION. 515A.23 NONCOMPETITIVE MARKET.

9 Unless the commissioner has determined a market to be
10 competitive, the provisions of sections 515A.1 through 515A.19
11 apply.

12 Sec. 10. NEW SECTION. 515A.24 FILING OF RATES IN A
13 COMPETITIVE MARKET.

14 1. Subject to the exception specified in section 515A.4,
15 subsection 5, a competitive filing shall become effective when
16 filed and shall be deemed to meet the requirements of section
17 515A.3 as long as the filing remains in effect unless it is
18 disapproved upon review by the commissioner.

19 2. In a competitive market, every insurer shall file with
20 the commissioner all rates and supplementary rate information
21 which are used in this state. The rates and supplementary
22 rate information shall be filed not later than fifteen days
23 after the effective date of the rates.

24 3. In a competitive market, if the commissioner finds that
25 an insurer's rates require closer supervision because of the
26 insurer's financial condition or unfairly discriminatory
27 rating practices, the insurer shall file with the commissioner
28 at least thirty days prior to the effective date of the rates
29 all the rates and supplementary rate information and
30 supporting information as prescribed by the commissioner.
31 Upon application by the filer, the commissioner may authorize
32 an earlier effective date.

33 Sec. 11. NEW SECTION. 515A.25 DISAPPROVAL OF A RATE
34 FILING IN A COMPETITIVE MARKET.

35 1. If the commissioner believes that an insurer's rate

1 filing in a competitive market violates the requirements of
2 section 515A.3, the commissioner may require the insurer to
3 file supporting information. If after reviewing the
4 supporting information the commissioner continues to believe
5 that the filing violates section 515A.3, the commissioner
6 shall notify the insurer of the insurer's right to petition
7 for a hearing on any subsequent order relating to the filing.

8 2. The commissioner may disapprove prefiled rates that
9 have not become effective. However, the commissioner shall
10 notify the insurer whose rates have been disapproved of the
11 insurer's right to petition for a hearing on the disapproval
12 within thirty days after the disapproval.

13 3. If the commissioner disapproves a filing in a
14 competitive market, the commissioner shall issue an order
15 specifying the reasons the filing fails to meet the
16 requirements of section 515A.3. For rates in effect at the
17 time of disapproval, the commissioner shall inform the insurer
18 within a reasonable period of time the date when further use
19 of the rates for policies or contracts of insurance is
20 prohibited. The order shall be issued within thirty days of
21 disapproval, or within thirty days of a hearing on the
22 disapproval if a hearing is held. The order may include a
23 provision for premium adjustment for the period after the
24 effective date of the order for policies or contracts in
25 effect on the date of the order.

26 4. Whenever an insurer has filed no legally effective
27 rates as a result of the commissioner's disapproval of a
28 filing, the commissioner shall on request of the insurer work
29 with the insurer to develop interim rates for the insurer that
30 are sufficient to protect the interest of all parties and the
31 commissioner may order that a specified portion of the premium
32 be placed in an escrow account approved by the commissioner.
33 When new rates become legally effective, the commissioner
34 shall order the escrowed funds or any overcharge in the
35 interim rates to be distributed appropriately. The

1 commissioner may waive distribution if the commissioner
2 determines that the amount involved would not warrant such
3 action.

4

EXPLANATION

5 This bill makes certain changes relating to the duties and
6 resources of the insurance commissioner regarding the
7 regulation of the insurance business conducted in the state.

8 The bill requires the insurance commissioner to semian-
9 nually make a report to the governor with information from
10 statements required of insurance companies, other than life
11 insurance companies, doing business in the state. The
12 commissioner is also required to make a report to the general
13 assembly each year with information on the state of the
14 insurance business and any problem areas foreseen.

15 The bill authorizes the commissioner to appoint a staff of
16 actuaries to perform analyses of rate filings, perform audits
17 of submitted loss data, conduct rate hearings, prepare data,
18 assist in public education, identify impending problem areas,
19 and assist in examinations of insurance companies.

20 The bill imposes new restrictions on cancellation or nonre-
21 newal of insurance policies. Cancellation of insurance poli-
22 cies after they have been renewed or 60 days after first going
23 into effect is prohibited except for certain express reasons.
24 Notice of cancellation is required at least ten days prior to
25 the date of cancellation and the notice must include the
26 reason for cancellation. Notice of nonrenewal is required to
27 be delivered at least 45 days prior to termination of the
28 policy. Nonrenewal is deemed to include not only a decision
29 by the insurer not to renew the policy, but also to include an
30 increase in the premium of 25 percent or more, an increase in
31 the deductible of 25 percent or more, or a material reduction
32 in coverage or limits on the policy.

33 The bill also changes procedure regarding rate filings.
34 The commissioner will determine which insurance lines are
35 competitive and which are noncompetitive. Competitive

1 insurance rate filings will be deemed to meet the requirements
2 of the Code and will go into effect when filed subject to
3 later review by the commissioner. If on review the rate
4 filings are disapproved, the rates will be rolled back to
5 those approved previously or to new approved rates, and
6 refunds will be made to the purchasers of the insurance.
7 Noncompetitive insurance rate filings will not go into effect
8 until reviewed and approved by the commissioner. All rate
9 filings will remain subject to disapproval after review after
10 ten days' written notice and a hearing.

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HOUSE FILE 506

AN ACT

RELATING TO THE REGULATION OF THE INSURANCE BUSINESS CONDUCTED IN THE STATE BY THE INSURANCE DIVISION OF THE DEPARTMENT OF COMMERCE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 505.13, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

505.13 OTHER INSURANCE -- REPORTS BY THE DIVISION.

1. The commissioner shall annually cause the preparation and printing of a report to be delivered to the governor. The report shall contain information from the statements required of insurance companies, other than life insurance companies, organized or doing business in the state. The reports shall be delivered on or before the first day of August each year.

2. The commissioner shall semiannually cause the preparation and printing of a report to be delivered to the general assembly on or before the thirty-first day of July and the thirty-first day of December each year. The report shall contain information on the state of the insurance business and any impending problems foreseen by the commissioner which would affect the insurance business conducted in the state or the regulation of that insurance business by the division.

Sec. 2. NEW SECTION. 505.15 ACTUARIAL STAFF.

The commissioner may appoint a staff of actuaries as necessary to carry out the duties of the division. The actuarial staff shall:

1. Perform analyses of rate filings.
2. Perform audits of submitted loss data.
3. Conduct rate hearings and serve as expert witnesses.
4. Prepare, review, and dispense data on the insurance business.

5. Assist in public education concerning the insurance business.

6. Identify any impending problem areas in the insurance business.

7. Assist in examinations of insurance companies.

Sec. 3. Section 515.80, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

515.80 CANCELLATION OF POLICY OR CONTRACT.

1. A policy or contract of insurance which has not been previously renewed may be canceled by the insurer if it has been in effect for less than sixty days at the time notice of cancellation is mailed or delivered.

2. A commercial line policy or contract of insurance which has been renewed or which has been in effect for more than sixty days may not be canceled unless at least one of the following conditions occurs:

a. Nonpayment of premium.

b. Misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or contract, when renewing the policy or contract, or in presenting a claim under the policy or contract.

c. Actions by the insured which substantially change or increase the risk insured.

d. Determination by the commissioner that the continuation of the policy would jeopardize the insurer's solvency or would constitute a violation of the law of this or any other state.

e. The insured has acted in a manner which the insured knew or should have known was in violation or breach of a policy or contract term or condition.

3. A policy or contract of insurance may be canceled at any time if the insurer loses reinsurance coverage which provides coverage to the insurer for a significant portion of the underlying risk insured and if the commissioner determines that cancellation because of loss of reinsurance coverage is justified. In determining whether a cancellation for loss of reinsurance coverage is justified, the commissioner shall consider the following factors:

- a. The volatility of the premiums charged for reinsurance in the market.
- b. The number of reinsurers in the market.
- c. The variance in the premiums for reinsurance offered by the reinsurers in the market.
- d. The attempt by the insurer to obtain alternate reinsurance.
- e. Any other factors deemed necessary by the commissioner.

4. A policy or contract of insurance shall not be canceled except by notice to the insured as provided in this subsection. A notice of cancellation shall include the reason for cancellation of the policy or contract. A notice of cancellation is not effective unless mailed or delivered to the named insured and a loss payee at least ten days prior to the effective date of cancellation, or if the cancellation is because of loss of reinsurance, at least thirty days prior to the effective date of cancellation. A post office department certificate of mailing to the named insured at the address shown in the policy or contract is proof of receipt of the mailing; however, such a certificate of mailing is not required if cancellation is for nonpayment of premium.

5. This section applies to all forms of property and casualty insurance written pursuant to this chapter.

Sec. 4. Section 515.81, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

515.81 NONRENEWAL OF POLICY OR CONTRACT.

An insurer shall not fail to renew a policy or contract of insurance except by notice to the insured as provided in this section. Nonrenewal of a policy or contract includes a decision by the insurer not to renew the policy or contract, an increase in the premium of twenty-five percent or more, an increase in the deductible of twenty-five percent or more, or a material reduction in the limits or coverage of the policy or contract. However, a premium charge which is assessed after the beginning date of the policy period for which the premium is due shall not be deemed a premium increase for the purpose of this section.

A notice of nonrenewal is not effective unless mailed or delivered by the insurer to the named insured and any loss payee at least forty-five days prior to the expiration date of the policy. If the insurer fails to meet the notice requirements of this section, the insured has the option of continuing the policy for the remainder of the notice period plus an additional thirty days at the premium rate of the existing policy or contract. A post office department certificate of mailing to the named insured at the address shown in the policy or contract is proof of receipt of the mailing.

This section applies to all forms of property and casualty insurance written pursuant to this chapter. It does not apply if the insurer has offered to renew or if the insured fails to pay a premium due or any advance premium required by the insurer for renewal.

Sec. 5. Section 515A.4, subsection 1, unnumbered paragraph 2, Code 1987, is amended to read as follows:

When a filing is not accompanied by the information upon which the insurer supports such filing, and the commissioner does not have sufficient information to determine whether such filing meets the requirements of the this chapter, the commissioner shall require such insurer to furnish the information upon which it supports such filing and in such event the waiting period shall commence as of the date such information is furnished. The information furnished in support of a filing may include ~~(a)~~ the experience or judgment of the insurer or rating organization making the filing, ~~(b)~~ its interpretation of any statistical data it relies upon, ~~(c)~~ the experience of other insurers or rating organizations, or ~~(d)~~ any other relevant factors. A filing and any supporting information shall be open to public inspection ~~after-the~~ upon filing becomes-effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the commissioner.

Sec. 6. NEW SECTION. 515A.20 DEFINITIONS.

As used in sections 515A.21 through 515A.25 unless the context otherwise requires:

1. "Market" means the interaction between buyers and sellers consisting of a product market component and a geographic market component. A product market component consists of identical or readily substitutable products including, but not limited to, consideration of coverage, policy terms, rate classifications, and underwriting. A geographic component is a geographical area in which buyers have a reasonable degree of access to the insurance product through sales outlets or other marketing mechanisms.

2. "Competitive market" means a market for which an order is in effect pursuant to section 515A.22 that a reasonable degree of competition does exist.

3. "Noncompetitive market" means a market which has not been found to be competitive pursuant to section 515A.22.

Sec. 7. NEW SECTION. 515A.21 SCOPE OF APPLICATION.

Section 515A.20 and sections 515A.22 through 515A.25 apply to all forms of casualty insurance except those described in sections 515A.11 and 515A.15, and those excluded by section 515A.2.

Sec. 8. NEW SECTION. 515A.22 COMPETITIVE MARKET.

1. A noncompetitive market is presumed to exist unless the commissioner determines after a hearing that a reasonable degree of competition exists in the market and the commissioner issues an order to that effect. Such an order shall not become effective until sixty days after the date of the order and shall expire not later than one year thereafter unless the commissioner renews the order. Any affected insurer or insured may petition for a hearing on the renewal of an order relating to competitive status.

2. In determining whether a reasonable degree of competition exists, the commissioner shall consider relevant factors of workable competition pertaining to the market structure, market performance, and market conduct, and the practical opportunities available to consumers in the market

to obtain pricing and other consumer information and to compare and obtain insurance from competing insurers. Such factors may include, but are not limited to, the following:

a. The size and number of insurers actually engaged in the market.

b. The profitability for insurers generally in the market segment and whether that profitability is unreasonably high.

c. The price variance on premiums offered in the market.

d. The availability of consumer information concerning the product and sales outlets or other sales mechanisms.

e. The efforts of insurers to provide consumer information.

f. Consumer complaints regarding the market generally.

Sec. 9. NEW SECTION. 515A.23 NONCOMPETITIVE MARKET.

Unless the commissioner has determined a market to be competitive, the provisions of sections 515A.1 through 515A.19 apply.

Sec. 10. NEW SECTION. 515A.24 FILING OF RATES IN A COMPETITIVE MARKET.

1. Subject to the exception specified in section 515A.4, subsection 5, a competitive filing shall become effective when filed and shall be deemed to meet the requirements of section 515A.3 as long as the filing remains in effect unless it is disapproved upon review by the commissioner.

2. In a competitive market, every insurer shall file with the commissioner all rates and supplementary rate information which are used in this state. The rates and supplementary rate information shall be filed not later than fifteen days after the effective date of the rates.

3. In a competitive market, if the commissioner finds that an insurer's rates require closer supervision because of the insurer's financial condition or unfairly discriminatory rating practices, the insurer shall file with the commissioner at least thirty days prior to the effective date of the rates all the rates and supplementary rate information and supporting information as prescribed by the commissioner.

Upon application by the filer, the commissioner may authorize an earlier effective date.

Sec. 11. NEW SECTION. 515A.25 DISAPPROVAL OF A RATE FILING IN A COMPETITIVE MARKET.

1. If the commissioner believes that an insurer's rate filing in a competitive market violates the requirements of section 515A.3, the commissioner may require the insurer to file supporting information. If after reviewing the supporting information the commissioner continues to believe that the filing violates section 515A.3, the commissioner shall notify the insurer of the insurer's right to petition for a hearing on any subsequent order relating to the filing.

2. The commissioner may disapprove prefiled rates that have not become effective. However, the commissioner shall notify the insurer whose rates have been disapproved of the insurer's right to petition for a hearing on the disapproval within thirty days after the disapproval.

3. If the commissioner disapproves a filing in a competitive market, the commissioner shall issue an order specifying the reasons the filing fails to meet the requirements of section 515A.3. For rates in effect at the time of disapproval, the commissioner shall inform the insurer within a reasonable period of time the date when further use of the rates for policies or contracts of insurance is prohibited. The order shall be issued within thirty days of disapproval, or within thirty days of a hearing on the disapproval if a hearing is held. The order may include a provision for premium adjustment for the period after the effective date of the order for policies or contracts in effect on the date of the order.

4. Whenever an insurer has filed no legally effective rates as a result of the commissioner's disapproval of a filing, the commissioner shall on request of the insurer work with the insurer to develop interim rates for the insurer that are sufficient to protect the interest of all parties and the commissioner may order that a specified portion of the premium

be placed in an escrow account approved by the commissioner. When new rates become legally effective, the commissioner shall order the escrowed funds or any overcharge in the interim rates to be distributed appropriately. The commissioner may waive distribution if the commissioner determines that the amount involved would not warrant such action.

DONALD D. AVENSON
Speaker of the House

JO ANN ZIMMERMAN
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 506, Seventy-second General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 15, 1987

TERRY E. BRANSTAD
Governor