

Legislative Analysis



COMMERCIAL INSURANCE POLICY FILINGS

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House Bill 4302

Sponsor: Rep. Paul Condino

Committee: Insurance

Complete to 3-21-07

A SUMMARY OF HOUSE BILL 4302 AS INTRODUCED 2-20-07

Under the Insurance Code, rate regulations of Chapter 24 (casualty insurance) and Chapter 26 (fire and inland marine insurance) do not apply to insurance that both:

- 1) Is sold to an exempt commercial policyholder—that is, *an insured that purchases insurance for other than personal, family, or household purposes*. (This does not apply to workers' compensation insurance.)
- 2) Contains a prominent disclaimer that the policy is exempt from the rate filing requirements of Section 2236 of the code.

Under Section 2236, insurance policy forms and annuity contracts must be filed with the insurance commissioner for approval. (Failure of the commissioner to act within 30 days after submission constitutes approval.) The exemption means that commercial insurance rules and rates do not need to be filed with the commissioner if a policy has the required disclaimer. (Under current law, however, the commissioner can order companies to file manuals of classification and rating plans for prior approval if there has been a certification of *an absence of a reasonable degree of competition* for a certain kind of insurance.)

House Bill 4302 would remove the provisions that exempt such commercial insurance from the rate filing requirements of Section 2236 and from rate regulations in Chapters 24 and 26.

[Both Chapter 24 (casualty insurance) and Chapter 26 (fire and inland marine insurance) contain similar language explaining their purpose: *The purpose of this chapter is to promote the public welfare by regulating insurance rates to the end that they shall not be excessive, inadequate, or unfairly discriminatory, and to authorize and regulate cooperative action among insurers in rate making and in other matters within the scope of the Insurance Code.*]

FISCAL IMPACT:

This bill will require an increase in expenditures by the Office of Financial and Insurance Services (OFIS) to hire additional staff to review the added rate and form filings. In addition, OFIS will need to contract for additional actuarial services to review rate filings. Dollar estimates of these expenditures are indeterminate at this time.

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