

State Corporation Commission 2005 Fiscal Impact Statement

1. Bill Number HB2219

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron: Hargrove

3. Committee: Passed Both Houses

4. Title: Insurance rates; policies acquired from other insurers.

5. Summary/Purpose: Clarifies that an insurer may cap the renewal rates for policies that have been transferred from another insurer pursuant to a merger, acquisition, or sale.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: Chapter 838 of the 2004 Acts of Assembly (House Bill 553 enacted by the General Assembly in 2004) permitted insurers to limit rate increases experienced by insureds at renewal by phasing in the full amount of the rate increase over a specified period of time. The legislation specified that it was applicable to policies other than workers' compensation and employers' liability policies. The purpose of this bill, House Bill 2219, is to clarify that the law also applies to policies that are not actually being "renewed." Under the 2004 legislation, insurers who assumed the policies of other insurers due to a merger, acquisition or sale would not be able to cap renewal rates because, technically, the insureds assumed from another insurer are not being "renewed" by the assuming insurer; the transferred policies are technically "new business" to the assuming insurer. As a result of House Bill 2219, policyholders whose policies were acquired by other insurers will get the benefit of the lower renewal rate.

Date: 03/02/05 / V. Tompkins

cc: Secretary of Commerce and Trade