

SB 331 A STAFF MEASURE SUMMARY

Carrier: Rep. Kennemer

House Committee On Business and Labor

Action Date: 05/01/17

Action: Do Pass the A-Eng bill.

Vote: 8-0-1-0

Yeas: 8 - Barreto, Bynum, Doherty, Evans, Fahey, Hack, Holvey, Kennemer

Exc: 1 - Heard

Fiscal: No fiscal impact

Revenue: No revenue impact

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WHAT THE MEASURE DOES:

Allows an insurer to offer an insured a replacement policy from a subsidiary in lieu of renewing prior policy if insurer provides notice to insured and insurance producer at least 45 days before renewal date. Permits insured to cancel policy at any time before effective date. Provides that earned premium for period in which policy was in effect before cancellation must be calculated on a pro rata basis using current rate or previous year's rate, whichever is lower. Specifies that new rates and changes in terms for a replacement policy agreed to by insured become effective the day following expiration of previous policy.

ISSUES DISCUSSED:

- Current requirement to issue note of non-renewal
- Whether replacement policy could have higher premiums

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Senate Bill 331-A addresses situations in which an insurer seeks to replace an insurance policy with a new policy offered by a different insurance company that is part of a larger group of insurance companies under the same ownership or control as the original insurance company. Under current law, the only way for an insurer that offers lines of insurance through multiple, distinct underwriting companies to transfer a policyholder from one of its holding companies to another is to not renew the policy, which can be confusing for the insured individual. For such instances, the measure outlines the requirements for the insurer and creates allowance for the insured to cancel the replacement policy prior to it taking effect. Absent action by the insured, a replacement policy offered by an insurer through another subsidiary takes effect the day after the previous policy expires.