

No. 1986-27

AN ACT

HB 452

Amending the act of June 11, 1947 (P.L.538, No.246), entitled "An act relating to the regulation of rates for insurance which may be written by stock or mutual casualty insurance companies, associations or exchanges, including fidelity, surety and guaranty bonds and all other forms of motor vehicle insurance, and title insurance; to rating and advisory organizations; conferring on the Insurance Commissioner the power and duty of supervising and regulating persons, associations, companies and corporations, and of enforcing the provisions of this act; prescribing and regulating the practice and procedure before the commissioner, and procedure for review by the courts; giving the Court of Common Pleas of Dauphin County exclusive jurisdiction over certain proceedings; prescribing penalties and providing for enforcement thereof, and repealing inconsistent acts," further providing for ratemaking.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 3 of the act of June 11, 1947 (P.L.538, No.246), known as The Casualty and Surety Rate Regulatory Act, is amended to read:

Section 3. Making of Rates.—All rates shall be made in accordance with the following provisions:

(a) Due consideration shall be given to past and prospective loss experience within and outside this Commonwealth, to physical hazards, to safety and loss prevention factors, to underwriting practice and judgment to the extent appropriate, to catastrophe hazards, if any, to a reasonable margin for underwriting profit and contingencies, to dividends, savings or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers, to past and prospective expenses both country wide and those specially applicable to this Commonwealth, and to all other relevant factors within and outside this Commonwealth[;].

(b) The systems of expense provisions included in the rates for use by any insurer or group of insurers may differ from those of other insurers or groups of insurers to reflect the requirements of the operating methods of any such insurer or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof for which subdivision or combination separate expense provisions are applicable[;].

(c) Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any differences among risks that can be demonstrated to have a probable effect upon losses or expenses[;].

(d) Rates shall not be excessive, inadequate or unfairly discriminatory. *No rate shall be held to be unfairly discriminatory unless, allowing for practical limitations, it clearly fails to reflect with reasonable accuracy the differ-*

ences in expected losses and expenses. A rate is not unfairly discriminatory because different premiums result for policyholders with like-loss exposures but different expense factors, so long as the rate reflects the differences with reasonable accuracy. A rate is not unfairly discriminatory if it is averaged broadly among persons insured under a group, franchise or blanket policy.

(e) This section shall not be construed to prohibit rates for automobile insurance which are based, in whole or in part, on factors, including, but not limited to, sex, if the use of such a factor is supported by sound actuarial principles or is related to actual or reasonably anticipated experience; however, such factors shall not include race, religion or national origin.

Section 2. This act shall take effect immediately.

We certify that this bill, House Bill No.452, Printer's No.2832, having passed both Houses, vetoed by the Governor, was returned to the House of Representatives where the House proceeded to reconsider and again pass the bill by more than a two-thirds majority of the members elected to the House, the objections of the Governor to the contrary notwithstanding. Upon notification by the House of Representatives as to their action, the Senate proceeded to reconsider and again pass the bill by more than a two-thirds majority of the members elected to the Senate, the objections of the Governor to the contrary notwithstanding.

Given under our hand and seal this fourteenth day of April, one thousand nine hundred and eighty-six.

ROBERT C. JUBELIRER
President Pro Tempore, Senate

K. LEROY IRVIS
Speaker, House of Representatives

MARK R. CORRIGAN
Secretary, Senate

JOHN J. ZUBECK
Chief Clerk, House of Representatives

Note. The date of final enactment of Act No. 1986-27 is April 14, 1986.