

HOUSE BILL NO. 588  
INTRODUCED BY MATTHEWS

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT FOR RESTRICTING MIDTERM INCREASES IN RATES OR DECREASES IN COVERAGE ON CONTRACTS OF PROPERTY OR CASUALTY INSURANCE ARE NOT PROHIBITED IF THEY RESULT FROM A CHANGE IN INSURANCE RISK OR FROM A CHANGE IN THE CLASSIFICATION OF THE INSURED BASED UPON THE INSURER'S FILED CLASSIFICATION SYSTEM IN EFFECT AT THE TIME OF THE POLICY'S LAST RENEWAL UNDER CERTAIN CIRCUMSTANCES; AND AMENDING SECTION 33-15-1101, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 33-15-1101, MCA, is amended to read:

**"33-15-1101. Purpose -- applicability.** (1) The purpose of this part is to protect the public with regard to insurance transactions that involve cancellation, renewal, nonrenewal, or premium increases on contracts of property or casualty insurance by:

(a) regulating the grounds for midterm cancellation of an insurance policy;

(b) EXCEPT AS PROVIDED IN [SECTION 2], prohibiting midterm increases in premiums ~~that do not result from a change in insurance risk or from a change in the classification of the insured based upon the insurer's filed classification system in effect at the time of the policy's last renewal;~~

(c) increasing the opportunity for insureds to shop for replacement or substitute insurance;

(d) reducing the opportunity for breach of contract, misrepresentation by omission or untimely disclosure, and unfair discrimination among insureds; and

(e) increasing the opportunity for insurance producers to compete freely.

(2) This part applies to those forms of insurance defined in 33-1-206 and 33-1-210, except to the extent they conflict with chapter 23 of this title.

(3) This part does not limit the activities that may constitute undefined unfair trade practices prohibited by 33-18-1003. The commissioner may apply other provisions of this code to insurance transactions involving cancellation, renewal, nonrenewal, or premium increases on contracts of property or casualty insurance. Policies may provide terms more favorable to insureds than are required by this part. The rights provided by this part are in addition to and do not prejudice any other rights that the insured may have under common law, statutes, or

rules."

**NEW SECTION. SECTION 2. LIMITATION ON MIDTERM PREMIUM INCREASES ~~OR DECREASES~~.** (1) IN ANY CASE INVOLVING PROPERTY OR CASUALTY INSURANCE THAT IS SUBJECT TO THIS PART, IF THE INSURED HAS PREPAID THE PREMIUM FOR THE INSURANCE POLICY FOR A SPECIFIED PERIOD, THE INSURER MAY NOT UNILATERALLY INCREASE ~~OR DECREASE~~ THE RATE CHARGED OR DECREASE THE COVERAGE PROVIDED FOR THE PERIOD FOR WHICH THE PREMIUM HAS BEEN PAID UNLESS:

(A) THERE IS A CHANGE IN RISK DURING THAT PERIOD ~~THAT IS ATTRIBUTABLE TO AN ACT OF THE INSURED OR THE RISK TO BE INSURED WAS MISREPRESENTED BY THE INSURED~~; BECAUSE OF THE ADDITION OR REMOVAL OF PERSONS OR PROPERTY THAT WAS INCLUDED IN THE RATE AT LAST RENEWAL;

(B) THE RISK WAS MISREPRESENTED BY THE INSURED; OR

(C) THE INSURED REQUESTS A POLICY CHANGE THAT INCREASES THE RATE BECAUSE OF THAT SPECIFIC REQUEST.

(2) THIS SECTION DOES NOT PROHIBIT THE CANCELLATION OF A POLICY FOR ANY OTHER REASON PERMITTED BY THE POLICY OR BY LAW DURING AN INITIAL POLICY PERIOD NOT TO EXCEED 60 DAYS.

**NEW SECTION. SECTION 3. CODIFICATION INSTRUCTION.** [SECTION 2] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 33, CHAPTER 15, PART 11, AND THE PROVISIONS OF TITLE 33, CHAPTER 15, PART 11, APPLY TO [SECTION 2].

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