

1 SENATE BILL NO. 235

2 INTRODUCED BY S. MORIGEAU

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4 A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING EXCESSIVE INSURANCE RATES THAT ARE
5 APPLICABLE TO HOMEOWNER'S INSURANCE; AMENDING SECTION 33-16-201, MCA; AND PROVIDING
6 AN APPLICABILITY DATE."

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8 WHEREAS, homeowner's insurance policies have experienced a notable surge in premium costs over
9 the past decade, a trend that is continuing through 2021; and

10 WHEREAS, studies have shown an average increase in excess of 55% in homeowner's policies over
11 the 10-year period. Indeed, some homeowners routinely see a surge in premium rates charged by insurers with
12 each annual renewal; and

13 WHEREAS, studies have shown that Montana ranks high in the nation for average cost of
14 homeowner's insurance policies; and

15 WHEREAS, this act seeks to limit excessive annual rate increases by insurers by strengthening the
16 Commissioner of Insurance's review of homeowner's insurance premium increase requests.

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

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20 **Section 1.** Section 33-16-201, MCA, is amended to read:

21 "**33-16-201. Standards applicable to rates.** The following standards apply to the making and use of
22 rates pertaining to all classes of insurance to which the provisions of this chapter are applicable:

23 (1) (a) Rates may not be excessive or inadequate, and they may not be unfairly discriminatory.

24 (b) A rate may not be held to be excessive unless the rate is unreasonably high for the insurance
25 provided and a reasonable degree of competition does not exist in the area with respect to the classification to
26 which the rate is applicable.

27 (c) A rate may not be held to be inadequate unless the rate is unreasonably low for the insurance
28 provided and the continued use of the rate endangers the solvency of the insurer using the rate or unless the

1 rate is unreasonably low for the insurance provided and the use of the rate by the insurer has, or if continued
2 will have, the effect of destroying competition or creating a monopoly.

3 (d) For the purposes of this subsection (1) and applicable only to property insurance on any home
4 occupied by an insured as a domicile, the term "excessive" means any annual premium increase in excess of
5 5%.

6 (2) (a) Consideration must be given, when applicable, to past and prospective loss experience within
7 and outside this state, to revenue and profits from reserves, to conflagration and catastrophe hazards, if any, to
8 a reasonable margin for underwriting profit and contingencies, to past and prospective expenses, both
9 countrywide and those specially applicable to this state, and to all other factors, including judgment factors,
10 considered relevant within and outside this state. In the case of fire insurance rates, consideration may be given
11 to the experience of the fire insurance business during the most recent 5-year period for which experience is
12 available.

13 (b) Consideration may also be given in the making and use of rates to dividends, savings, or
14 unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers.

15 (3) The systems of expense provisions included in the rates for use by any insurer or group of
16 insurers may differ from those of other insurers or groups of insurers to reflect the operating methods of the
17 insurer or group with respect to any kind of insurance or with respect to any subdivision or combination of
18 insurance.

19 (4) (a) Risks may be grouped by classifications for the establishment of rates and minimum
20 premiums. Classification rates may be modified to produce rates for separate risks in accordance with rating
21 plans that establish standards for measuring variations in hazards or expense provisions, or both. The
22 standards may measure any difference among risks that have a probable effect upon losses or expenses.
23 Classifications or modifications of classifications of risks may be established, based upon size, expense,
24 management, individual experience, location or dispersion of hazard, or any other reasonable considerations.

25 (b) Special risk classifications may be established for private passenger automobile policies. Special
26 risk classifications may be based upon favorable aspects of an insured individual's claims history that is 3 years
27 old or older. Special risk classifications may not be established based on adverse information contained in an
28 insured individual's driving record that is 3 years old or older.

1 (c) Special risk classifications may be established for commercial automobile policies. Special risk
2 classifications for commercial automobile policies may be based upon favorable aspects of an insured's claims
3 history that is 5 years old or older. Special risk classifications for commercial automobile policies established for
4 an insured's adverse loss experience may not use more than the most recent 5 years of claims history that is
5 available.

6 (d) Classifications and modifications apply to all risks under the same or substantially the same
7 circumstances or conditions.

8 (e) As used in subsection (4)(b), "private passenger automobile policy" means an automobile
9 insurance policy issued to individuals or families but does not include policies known as commercial automobile
10 policies."
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12 **NEW SECTION. Section 2. Applicability.** [This act] applies to property insurance policies covering
13 residential domiciles entered into or renewed on or after [the effective date of this act].

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