

HOUSE BILL 25-472

By Senator(s) Stimpson
also Representative(s) Boone, Jennings

**AN ACT
CONCERNING INSURANCE REGULATION**

Be It Enacted by the General Assembly of the State of San Andreas:

SECTION 1: PURPOSE AND LEGISLATIVE INTENT.

This Act is established with the fundamental purpose of safeguarding consumers from arbitrary and excessive increases in insurance premiums. It further aims to foster a marketplace characterized by transparency and fairness in insurance pricing practices. This legislative initiative recognizes the critical role insurance plays in the financial security of individuals and businesses, and seeks to prevent predatory pricing strategies that can disproportionately impact policyholders. By promoting clear and understandable pricing, the Act endeavors to empower consumers to make informed decisions regarding their insurance coverage.

SECTION 2: ANNUAL PREMIUM INCREASE LIMITATION AND EXCEPTIONS.

(a) **Limitation on Premium Increases:** To ensure stability and predictability for policyholders, insurance companies operating within this jurisdiction shall be prohibited from increasing premiums for existing customers by more than five percent (5%) of the current premium amount within any given calendar year. This limitation applies comprehensively to all categories of insurance policies offered, encompassing, but not limited to, property, health, life, and commercial lines, with the specific exception detailed in subsection (b) pertaining to motor vehicle liability insurance. This provision is designed to provide a reasonable ceiling on annual premium adjustments, preventing sudden and substantial financial burdens on consumers.

(b) **Exception for Motor Vehicle Liability Insurance:** While the general limitation on premium increases is designed to protect consumers from sudden and excessive cost hikes, the unique characteristics and inherent volatility of motor vehicle liability insurance necessitate specific exceptions. Unlike other forms of insurance, motor vehicle liability is directly tied to the actions of individual drivers and the unpredictable nature of road events, which can lead to rapid and significant shifts in risk profiles and claims frequency. Therefore, under strictly defined circumstances and with robust justification, insurance companies may increase premiums for motor vehicle liability insurance beyond the standard five percent (5%) annual limit. These exceptional circumstances are as follows:

(I) **Catastrophic Events and Natural Disasters:** In instances where there is a demonstrable and significant increase in claims incurred by the insurer, directly attributable to widespread natural disasters (e.g., hurricanes, earthquakes, floods, wildfires) or other catastrophic events (e.g., widespread civil unrest, large-scale accidents), a premium increase exceeding the standard limit

may be justified. The insurer must provide clear evidence linking the increased claims to such events.

(II) Individual Driver Liability for a Collision: If an insured driver is found to be predominantly at fault or legally liable for a motor vehicle collision, the insurance company retains the discretion to raise that specific driver's premium by more than the five percent (5%) annual limit. This exception acknowledges the principle that an individual's driving record and claims history are direct indicators of their risk profile. A determination of liability typically follows a thorough investigation by the insurer, often relying on police reports, witness statements, and accident reconstruction. This increased premium is directly tied to the heightened risk posed by that individual driver and is intended to reflect the increased probability of future claims. The premium adjustment must be actuarially sound and commensurate with the increased risk presented by the liable driver. It is important to note that this specific increase applies only to the individual driver deemed liable and not necessarily to other insured individuals on the same policy who were not at fault. Insurers are expected to provide clear communication to the policyholder regarding the reason for the increase and their right to appeal the liability determination if they believe it to be incorrect.

(III) Legislative and Regulatory Mandates: Should an insurer experience a substantial increase in its liability costs directly resulting from new legislative enactments or changes in regulatory requirements, they may apply for an exemption to the premium increase limitation. This includes, but is not limited to, expanded coverage mandates, increased minimum liability limits, or new taxes and fees imposed by governmental bodies. The burden of proof lies with the insurer to demonstrate a direct causal link between the legislative or regulatory change and the increased costs.

SECTION 3: TRANSPARENCY IN INSURANCE PRICING PRACTICES.

To foster an environment of complete transparency, all insurance companies are mandated to provide clear, comprehensive, and easily understandable information regarding their rates and pricing structures to all current and prospective customers. This commitment to full disclosure includes, but is not limited to, the following critical components:

Insurers must furnish a granular breakdown of how premiums are calculated. This includes outlining the base rate, any applicable surcharges or discounts, and the specific factors that contribute to the final premium amount. The information provided should be presented in a manner that is accessible and comprehensible to the average consumer, avoiding overly technical jargon.

A clear explanation must be provided detailing any and all factors that may influence changes in insurance rates. This includes, but is not limited to, the policyholder's claims history, individual risk assessments (e.g., credit score, driving record, property characteristics), prevailing market conditions (e.g., interest rates, investment returns, reinsurance costs), and changes in the insurer's overall claims experience. This proactive disclosure aims to mitigate consumer surprise and enhance understanding of premium adjustments.

(a) Annual Reporting to Regulatory Bodies: To ensure ongoing oversight and accountability, all insurance companies shall submit an annual report to the San Andreas Division of Insurance. This report shall contain, at a minimum, the following essential data and information:

(I) A comprehensive tabulation of the average percentage increase in premiums across all policies and lines of business during the preceding calendar year. This aggregate data will provide regulators with a broad overview of industry pricing trends.

(II) For any instances where premium increases for specific policies or groups of policies exceeded the five percent (5%) annual limit, a detailed justification must be provided, referencing the specific exception criteria outlined in Section 2(b) of this Act. This includes supporting documentation and actuarial analyses.

(III) A summary of all customer complaints received by the insurance company during the reporting period that are specifically related to pricing practices, premium increases, or a perceived lack of transparency. This data will serve as an indicator of potential systemic issues requiring regulatory attention.

SECTION 4: ENFORCEMENT, PENALTIES, AND CONSUMER RIGHTS.

(a) The state division of insurance, or its designated successor, shall be vested with the primary authority and responsibility to oversee and enforce compliance with all provisions of this Act. This includes conducting regular audits, investigations into alleged violations, and proactively monitoring the insurance market for adherence to the established regulations.

(b) Insurance companies found to be in violation of the price increase limitations or the transparency requirements stipulated in this Act may be subject to a range of penalties. These penalties may include, but are not limited to:

(I) Significant financial penalties, scaled according to the severity and frequency of the violation, may be levied against non-compliant insurers.

(II) The regulatory body may issue orders compelling insurers to immediately cease any unlawful pricing practices.

(III) Insurers may be required to take specific remedial actions, such as refunding excessive premiums to affected policyholders.

(IV) In egregious or repeated cases of non-compliance, the regulatory body may initiate proceedings to suspend or revoke an insurer's license to operate within the state.

(c) Consumers are hereby affirmed with the fundamental right to appeal any premium increase that they believe exceeds the stipulated five percent (5%) annual limit or that they perceive to lack sufficient transparency as mandated by this Act. The state division of insurance shall establish a clear and accessible process for consumers to lodge such appeals, which shall include:

(I) Formal Complaint Mechanism: A standardized procedure for consumers to file formal complaints regarding premium increases.

(II) Investigation and Review: The regulatory body shall be obligated to investigate and review all legitimate consumer appeals, requesting necessary documentation and justifications from the insurance company.

(III) Mediation or Arbitration: Where appropriate, the regulatory body may facilitate mediation or arbitration between the consumer and the insurer to resolve disputes.

(IV) Binding Decisions: The regulatory body shall have the authority to issue binding decisions on appeal cases, compelling insurers to comply with the Act's provisions and potentially order refunds or adjustments to premiums.