

STATE OF NEW YORK

5520

2017-2018 Regular Sessions

IN SENATE

April 4, 2017

Introduced by Sen. SEWARD -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance

AN ACT to amend the insurance law, in relation to unfairly discriminatory rates based upon the practice of price optimization

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 2303 of the insurance law, as amended by chapter 20
2 of the laws of 1990, is amended to read as follows:

3 § 2303. Standards for rates. (a) Rates shall not be excessive, inade-
4 quate, unfairly discriminatory, destructive of competition or detri-
5 mental to the solvency of insurers. In determining whether rates comply
6 with the foregoing standards, the superintendent shall include all
7 income earned by such insurer and any insurer controlling or controlled
8 by such insurer or under common control by or with such insurer on all
9 its investments of any kind and wherever located. The superintendent
10 shall further determine whether any component of such rates represent an
11 effort on the part of the insurer to recover losses incurred in another
12 state due to any referendum, law or regulation which requires a general
13 reduction in rates for the kinds of insurance described in section two
14 thousand three hundred two of this article. Such a finding shall be
15 deemed unfairly discriminatory for the purposes of this article.

16 (b) Discriminatory rates. (1) One rate is unfairly discriminatory in
17 relation to another if it clearly fails to reflect equitably the differ-
18 ences in expected losses, expenses and the degree of risk. Rates are not
19 unfairly discriminatory because different premiums result for policy-
20 holders with like loss exposures but different expense factors, or like
21 expense factors but different loss exposures, so long as the rates
22 reflect the differences with reasonable accuracy in accordance with
23 acceptable actuarial principles and standards. Rates are not unfairly
24 discriminatory if they attempt to spread risk broadly among persons
25 insured under a group or blanket policy.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 (2) Notwithstanding any other provision of this section to the contra-
2 ry, an insurer and any insurer controlling or controlled by such insurer
3 or under common control by or with such insurer, may not make or allow a
4 differential in pricing, rate filings, tier placement decisions, premium
5 payments or dividends, based upon any formalized price optimization
6 models or less formal price optimization considerations, in order to
7 maximize such insurer's retention, profitability, written premium,
8 market share or any combination thereof. Any such practice shall be
9 deemed unfairly discriminatory for purposes of this article.

10 (3) For purposes of this subsection, "price optimization" shall mean
11 the practice of an insurer to vary its rates or premiums based on
12 factors other than those directly related to risk of loss, such as
13 setting rates or factors based on an insured's likelihood to renew a
14 policy or on an individual's or class of individuals' perceived willing-
15 ness to pay a higher premium relative to other individuals or classes
16 when faced with a rate increase, known as price elasticity of demand.

17 § 2. This act shall take effect immediately.