

NH overhauls P&C regulation, scraps prior approval system

InsuranceTimes™ Copyright © by M&S Communications, Inc. June 10, 2003, Vol. XXIII, No. 12

by Penny Williams
InsuranceTimes

CONCORD, N.H. – David Withers may be the person most affected as New Hampshire embarks on a major change in its approach to insurance regulation.

Withers is the property/casualty actuary for the New Hampshire Insurance Department. He is accustomed to poring over rate filings made by dozens of insurance companies eager to win his approval before the rates could be used.

Now the state is scrapping its prior approval system in favor of more pricing freedom for insurers in commercial and personal lines. Withers will have time to review rates for their fairness and adequacy without insurers breathing down his neck under the new “file-and-use” and “use-and-file” systems.

“He will be watching the marketplace for competitiveness and to ensure a good spread of rates among companies,” says Assistant Commissioner of Insurance Roger Sevigny of actuary Withers. “He will watch to make certain rates aren’t too compressed and if that should happen, the Commissioner has the authority to declare the market noncompetitive and move regulation back to the prior approval system.”

Sitting on Gov. Craig Benson’s desk awaiting his signature is a bill (HB 684) that makes insurance pricing decisions easier. Under the measure, insurers no longer will have to get prior approval from the department before implementing new rates for personal lines. They will be able to file them with the department and use them in 30 days.

In commercial lines, the system will give insurers even more freedom under a new “use and file” process, except in workers compensation where rates will remain subject to prior approval.

The new law also exempts from any regulation of commercial rates and forms all commercial policies with premiums of \$100,000 and above. The previous exempt commercial policyholder (ECP) threshold was \$500,000.

The changes were heralded by the industry’s lobbyists.

National Association of Independent Insurers Senior Counsel Gerald Zimmerman said that this bill will “vastly improve insurance market conditions in the state.” He called the changes to regulation “significant” and “a real victory for the insurance market and the consumers who use it.

“The Department of Insurance has been unwavering in its support for the bill, which helped ensure passage through the House and Senate,” Zimmerman added.

Alliance of American Insurers’ Regional Vice President Frank O’Brien praised the NHID for taking the initiative to review its regulatory rules and laws and to retain those that still held value while having the courage to change outmoded ones.

“The Alliance commends the Department for taking the steps needed in terms of regulatory modernization to keep New Hampshire insurance business vibrant and meaningful,” O’Brien said.

While O’Brien anticipates there will be a period of transition during which both the insurers and regulators come to grips with a new environment, “Over time, these changes will be positive for all. It will be good for regulators because they will be free to focus on things that really matter.”

Regional Vice president for the American Insurance Association, Paul Moran, called this new law a “huge step” that will “open up the market to competition. We think this is a good thing that will smooth out the process of competition.”

Moran would still like to see the ECP threshold lower than the \$100,000 that passed but he applauded New Hampshire for moving in the right direction. “We will continue to work with the Legislature and the regulators to improve this,” he said.

Even agents welcomed the changes.

“We support this bill and the significant changes it brings in terms of speed to market that have proven successful in other jurisdictions. We are hopeful they will be equally successful in New Hampshire,” said Professional Insurance Agents Counsel Steven Imbriaco.

Sevigny said the NHID last year carefully studied the marketplace, the regulatory tools being used, and regulatory options that existed.

“Our study determined that this was a good time to make this change,” he said.

The law carries an effective date of January 1, 2004 so the full impact is still months away.

The NHID estimates that this bill will increase the premium taxes collected for the state general fund revenue by about \$1 billion in each of the next three fiscal years. Insurers are expected to change rates more rapidly and will not be immediately constrained in the size of the increase they will be adopting. □