

No. 1980-84

AN ACT

SB 1246

Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," further regulating insurance companies, associations and exchanges and their policy provisions and further providing for the classification of risks.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Clause (2) of subsection (h) and subsection (k) of section 410, act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921," amended July 19, 1951 (P.L.1100, No.245), are amended to read:

Section 410. Uniform Policy Provisions.—No policy of life or endowment insurance, except policies of industrial insurance where the premiums are payable monthly or oftener, shall hereafter be delivered in this Commonwealth unless it contains, in substance, the following provisions or provisions which, in the opinion of the Insurance Commissioner, are more favorable to the policyholder:—

* * *

(h) A provision for a loan value at any time after three full years' premiums have been paid and while no premium is in default beyond the grace period of payment.

* * *

(2) In the case of any policy issued on or after the operative date of section four hundred and ten A of this act (the Standard Non-forfeiture Law), the loan provision shall provide that the company will advance, on proper assignment or pledge of the policy, and on the sole security thereof, at a specified rate of interest *not exceeding eight per centum per annum*, a sum equal to, or, at the option of the party entitled thereto, less than, the cash surrender value at the end of the current policy year as required by section four hundred and ten A of this act; and that the company may deduct from such loan value (in addition to any indebtedness deducted in determining such value) any unpaid balance of the premium for the current policy year, and may collect interest in advance on the loan to the end of the current policy year. The company shall reserve the right to defer such loan, except any made to pay premiums to the company, for six months after

application therefor is made. This subsection (h) shall not apply to term insurance.

* * *

(k) A provision that the holder of a policy shall be entitled to have the policy reinstated, upon written application therefor, at any time within three years from the date of default in premium payments, unless the policy has been duly surrendered or the extension period expired, upon the production of evidence of insurability satisfactory to the company, and the payment of all overdue premiums and any other indebtedness to the company upon said policy, with interest at the rate of not exceeding [six] *eight* per centum per annum, compounded annually.

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Section 2. Subsection (a) of section 410B of the act, added July 17, 1935 (P.L.1116, No.358), is amended to read:

Section 410B. Uniform Provisions for Contracts of Annuities and Pure Endowment Contracts.—No annuity or pure endowment contract shall be delivered in this Commonwealth, except policies of industrial insurance where the premiums are payable monthly or oftener, and except in the case of a reversionary annuity, otherwise called a survivorship annuity, or an annuity contracted by an employer in behalf of his employes, unless it contains in substance the following provisions:

(a) A provision that there shall be a period of grace, either of thirty days or of one month, within which any stipulated payment to the company, falling due after the first year, may be made, subject, at the option of the company, to an interest charge thereon at a rate to be specified in the contract, but not exceeding [six] *eight* per centum per annum, for the number of days of grace elapsing before such payment, during which period of grace the contract shall continue in full force, but in case a claim arises under the contract on account of death during the said period of grace before the overdue payment to the company or the deferred payments of the current year, if any, are made, the amount of such payments, with interest on any overdue payments, may be deducted from any amount payable under the contract in settlement; *if the contract contains a loan provision, the rate of interest may not exceed eight per centum per annum;*

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Section 3. Section 654 of the act, amended July 2, 1953 (P.L.342, No.79), is amended to read:

Section 654. Classification of Risks; Underwriting Rules; Premium Rates; and Schedule and Merit Rating Plans.—(a) The classification of risks, underwriting rules, premium rates, and schedule or merit rating plans for insurance of employers and employes under "The Workmen's Compensation Act of nineteen hundred and fifteen," and acts amendatory thereof or supplementary thereto, and for insurance under "The Pennsylvania Occupational Disease Act of nineteen

hundred and thirty-nine," and acts amendatory thereof or supplementary thereto, and for insurance with respect to the Commonwealth of Pennsylvania as to liability under "The United States Longshoremen's and Harbor Workers' Compensation Act" of one thousand nine hundred twenty-seven, and acts amendatory thereof or supplementary thereto, written as a part of a workmen's compensation and employers' liability policy, shall be proposed annually by one or more rating bureaus, said rating bureau or bureaus to be situate within the Commonwealth of Pennsylvania, subject to supervision and to examination by the Insurance Commissioner and approved by the Insurance Commissioner as adequately equipped to compile rates on an equitable and impartial basis. Such schedule or merit rating plans shall be applied only by the approved rating bureau or bureaus, and, in the preparation of schedules, no employer shall be discriminated against or penalized because of physical impairment of any employe or because of the number of dependents of any employe.

(b) The *system of classification of risks, underwriting rules, premium rates and schedule or merit rating plans for insurance of employers and employes under such acts*, shall be filed with, and shall be subject to review by the Insurance Commissioner, and the Insurance Commissioner shall by order modify, amend or approve the same. Any person, corporate or otherwise, aggrieved by such order, classification, rule, rate or schedule issued by the Insurance Commissioner may obtain a review thereof before the Insurance Commissioner.

(c) *The assignment by an approved rating bureau of any individual risk to a particular classification in accordance with the system of classification of risks and underwriting rules approved by the Insurance Commissioner may be appealed by any person, corporate or otherwise, aggrieved by such assignment before the assigning bureau in accordance with procedures of the bureau approved by the Insurance Commissioner and, if still aggrieved by such reviewed assignment, such person may obtain a further review thereof by filing an appeal with the Insurance Commissioner within thirty days of the mailing date of the final decision of the bureau. The Insurance Commissioner shall hold a hearing upon not less than ten days written notice to the applicant and to the rating bureau which made such classification, and shall issue an order modifying, amending or approving the placement of the individual risk within the particular classification as the result of that hearing. Any order made by the Insurance Commissioner in accordance with this paragraph shall be appealable to the Commonwealth Court in accordance with Title 42 of the Pennsylvania Consolidated Statutes (relating to judiciary and judicial procedure).*

(d) No risk classification *system, underwriting rule, premium rate, or schedule or merit rating plan* shall take effect without the consent of the Insurance Commissioner, and he may withdraw his approval

whenever, in his judgment, the same is inadequate or discriminates unfairly between risks of essentially the same hazard.

(e) Neither the State Workmen's Insurance Fund, nor any insurance corporation, mutual association, or company, shall issue, renew, or carry any policy or contract of insurance against such liability under such acts, except in accordance with the classifications, underwriting rules, premium rates, and schedule or merit rating plans, proposed by the rating bureau or bureaus aforesaid for the risk insured and as modified, amended or approved by the Insurance Commissioner for such insurer.

(f) Notwithstanding any other provisions of this section, upon the written consent of the insured stating his reasons therefor, filed with and approved by the Insurance Commissioner, a rate in excess of that determined in accordance with the other provisions of this section may be used on any specific risk.

(g) A complete copy of every policy or a true copy of the substantive provisions of any policy or contract of insurance against such liability under such acts, and a true copy of every endorsement upon any such policy and of every agreement pertaining thereto, shall be filed with the rating bureau or bureaus aforesaid within a reasonable time after the effective date of any such policy, endorsement, contract, or agreement.

Section 4. It is the intent of the Legislature that the life insurance industry make available to the people of the Commonwealth of Pennsylvania who purchase new life insurance policies or annuities with loan provisions after the effective date of this act the benefits of higher dividends or lower premiums, or both, resulting from the increased earnings through the use of higher loan interest rates.

Section 5. The amendments to sections 410 and 410B shall take effect July 1, 1980 and the amendments to section 654 shall take effect July 1, 1981.

APPROVED—The 1st day of July, A. D. 1980.

DICK THORNBURGH