

Draft: 3/31/21

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting (*in lieu of the Spring National Meeting*)
March 15, 2021

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met March 15, 2021. The following Working Group members participated: Joy Hatchette, Chair, and Jimmy Gunn (AL); Ken Allen (CA); Bobbie Baca (CO); George Bradner (CT); Angela King (DC); Robert Rapp (IL); Heather Droge, Tate Flott and Brenda Johnson (KS); Ron Henderson (LA); Daniel Bryden (MN); Carrie Couch, Kendra Hetland, Jo LeDuc and Jeana Thomas (MO); Kathy Shortt (NC); Chris Aufenthie (ND); Cuc Nguyen (OK); Brett Bache (RI); David Combs, Jennifer Ramcharan and Vickie Trice (TN); Marianne Baker, Laura Machado and Mark Worman (TX); and Dena Wildman (WV). Also participating were: Kate Kixmiller (IN); Renee Campbell (MI); Jana Jarrett (OH); Tracy Klausmeier (UT); Katie Humphrey (VT); Josh Culley and Manabu Mizushima (WA); Diane Dambach and Darcy Paskey (WI); and Tana Howard (WY).

1. Adopted its Feb. 4, 2021, and Nov. 17, 2020, Minutes

The Working Group met Feb. 4, 2021, and Nov. 17, 2020, to discuss the need for consumer disclosures regarding significant premium increases on property/casualty (P/C) insurance products.

Ms. Droge made a motion, seconded by Ms. Couch to adopt the Working Group's Feb. 4, 2021 (Attachment XX) and Nov. 17, 2020 (Attachment-xx) minutes. The motion passed.

2. Discussed a Work Plan for Drafting a Best Practices Document Regarding Premium Increases

Ms. Hatchette said the Working Group has previously discussed breaking into drafting groups to draft a best practices document regarding premium increases. Ms. Hatchette said several people have signed up for the various drafting groups; however, people can still be added to the drafting groups. She said there will be a lead regulator on each drafting group.

Ms. Hatchette said the drafting groups can collaborate with each other as necessary. She said it is important for policyholders to better understand premium increases. She said the Working Group had decided to split the drafting of the best practices document into five drafting groups.

a. Drafting Group #1: Communication of a Premium Increase

Ms. Hatchette said the task of the first drafting group would be to draft information regarding the communication of premium increase to policyholders. This section would cover the way insurers communicate with their policyholders regarding premium increases, whether it be social media, verbal communications, etc.

Ms. Hatchette said she hears consumers say they are unhappy because their insurer has not provided them with enough information regarding their premium increases. She said this drafting group will need to determine the best way for insurers to communicate, as well as how to communicate with policyholders. Ms. Hatchette said she believes this drafting group will need to focus on what industry is currently doing and what is working and what is not working.

b. Drafting Group #2: Threshold for Notification of a Premium Increase

Ms. Hatchette said the second drafting group was tasked with drafting information regarding setting a threshold for notification of premium increase (noting that each state would be able to set their own threshold).

Lisa Brown (American Property Casualty Insurance Association—APCIA) said she understood from the Working Group's last meeting that the second drafting group would not be setting a threshold, per se, but to discuss and draft information regarding the methodology and logic behind the threshold.

Ms. Hatchette said this is the case, noting that the drafting group will not be recommending any particular threshold. She said she believes the drafting group would focus on considerations that states should think about, because each state may have its own laws and regulations in place already. Ms. Hatchette said this section should include information that would help state insurance regulators to make decisions regarding thresholds if they needed to do so.

Charles Angell (AL – Retired) asked if this would include making a threshold recommendation, as well as pros and cons to the recommendation, even though the Working Group would not be recommending a particular threshold.

Ms. Hatchette said this might be a difficult undertaking unless the drafting group reviewed the laws and regulations of each state. She also expressed concern about the time it would take to review all these laws and regulations.

c. Drafting Group #3: Communication Standards for a Premium Increase

Ms. Hatchette said the third drafting group was tasked with drafting communication standards for providing a premium increase, such as informing the policyholder of the current premium versus the renewal premium, and the explanation for the change, if any. She said the information would be what is actually being communicated, whether it be a dollar amount or a percentage.

Birny Birnbaum (Center for Economic Justice—CEJ) said he believes it will be more efficient to carry out the Working Group’s charge by combining drafting groups #1, #2 and #3. He said drafting group #3 would need to understand what they are trying to communicate before putting a mechanism into place. Mr. Birnbaum said it would also be important to know what threshold is before knowing what the drafting group wants to communicate. He said he believes all three of the items in drafting groups #1, #2 and #3 inform each other. Mr. Birnbaum said many Working Group members are members of all three drafting groups.

Mr. Bradner said he likes Mr. Birnbaum’s suggestion. He asked if drafting groups #1, #2 and #3 could be broken down into stages. Mr. Bradner said the first item to be addressed would be to determine the threshold. He said next the drafting group could then address the various communications channels. Mr. Bradner suggested the combined drafting group might first discuss the threshold, then discuss the communications standards, and, finally, discuss the ways to communicate the premium increases.

Mr. Bradner said the drafting of the threshold section should be able to be accomplished in a couple of meetings. He said then the drafting group would move on to discuss the format in which the information is going to be communicated to policyholders. Finally, the drafting group would look at the vehicles for communicating the information, as well as how various age groups might want to receive communication.

Ms. Hatchette, Mr. Allen and Ms. Wildman all said they believe that the drafting group responsible for determining the ways to communicate a premium increase to the policyholders could stand on its own. All agreed that the section for setting a threshold for notification of premium increase and communication standards for providing the premium increase could be combined.

The consensus of the Working Group was to combine drafting groups #1, #2 and #3 into one group. Mr. Bradner will lead this combined drafting group.

d. Drafting Group #4: Rate and Rule Filing Checklist

Ms. Hatchette said the fourth drafting group was tasked with coming up with a rate and rule filing checklist to be used by a state insurance department. She said Kansas has a particular checklist in place that they currently use. Ms. Droge said she would lead this drafting group.

e. Drafting Group #5: Consumer Education About Premium Increases

Ms. Hatchette said the final drafting group was tasked with providing consumer education about premium increases. She said this portion of the document would be the section that informs consumers in general regarding what they need to know about premium increases. Ms. Hatchette said this section would also inform consumers of things they could do to mitigate a premium increase.

Mr. Angell asked if this section would include education regarding premium capping. He said this is one of the more confusing aspects of explaining premium increases.

Ms. Hatchette said it is important to try to explain this concept. The Working Group agreed that this topic should be covered in the consumer education section.

Ms. Hatchette said it is important to think about how the consumer understands the premium increase documents they receive. Ms. Shortt will chair this drafting group.

Ms. Hatchette asked the drafting groups to meet within the next couple of weeks to set up organizational calls for each of the drafting groups. NAIC staff will find available dates for the drafting groups to meet and set up the meetings.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.

W:\National Meetings\2021\Spring\Cmte\C\TransparencyWG\0315 Transparency Minutes.docx