



Draft date: 3/5/25

Virtual Meeting

TRANSPARENCY AND READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP

Thursday, April 24, 2025

2:00 – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

ROLL CALL

George Bradner, Chair	Connecticut	Jeana Thomas	Missouri
Jimmy Gunn	Alabama	Elouisa Macias	New Mexico
Linda Beard	Alaska	Angela Hatchell	North Carolina
Ken Allen	California	John Arnold	North Dakota
Michael Conway/Bobbie Baca	Colorado	Cuc Nguyen	Oklahoma
Angela King	District of Columbia	Tricia Goldsmith	Oregon
Julie Rachford	Illinois	David Buono	Pennsylvania
Holly W. Lambert	Indiana	Doris Diaz	Puerto Rico
Julie Holmes	Kansas	Vickie Trice/Jennifer Ramcharan	Tennessee
Ron Henderson	Louisiana	Mark Worman/Marianne Baker	Texas
Daniel Bryden	Minnesota	Mike Kemlock	West Virginia

NAIC Support Staff: Anne Obersteadt

AGENDA

1. Consider November 12, 2024, Minutes for Adoption—*George Bradner (CT)* Attachment 1
2. Discuss Proposed 2025 Work Plan—*George Bradner (CT)* Attachment 2

Draft: 12/3/24

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting
November 12, 2024

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 12, 2024. The following Working Group members participated: George Bradner, Chair (CT); Dusty Smith (AL); Ken Allen (CA); David Martinez (CO); Angela King (DC); Sara Zuniga (KS); Ron Henderson (LA); Daniel Bryden (MN); Jeana Thomas (MO); Angela Hatchell (NC); Tricia Goldsmith (OR); David Buono (PA); Vickie Trice (TN); and Marianne Baker (TX). Also participating was: David Forte (WA).

1. Discussed Proposed Revisions to the Premium Increase Transparency Guidance Based on Comment Letters

Bradner said the Premium Increase Transparency Guidance was previously exposed for a comment period that ended Aug. 30. Comment letters were received from Brenda J. Cude (University of Georgia), United Policyholders (UP), American Property Casualty Insurance Association (APCIA), National Association of Mutual Insurance Companies (NAMIC), and the Independent Insurance Agents & Brokers of America (IIABA). The following details revisions made to the guidance document. Sections in blue are the relevant guidance document language with redlined revisions.

NAMIC's comment letter emphasized that it believes the guidance does not consider the complexity of composite rating models, and it is disappointed with the inclusion of Phase Two without an analysis of the effectiveness of Phase One. Similarly, APCIA's comment letter stated it believes insurers will have difficulties properly "pricing" factors in the example notices and reiterated that the notices pose significant compliance challenges and burdens. Subsequent to its comment letter, APCIA requested the Working Group consider revising the guidance to reflect that Washington is considering delaying the start of Phase Two in its rule from June 2027 to June 2029. This change would move the start date of Phase Two from three years to five years after the start date of Phase One.

Forte said insurers have expressed concerns about the cost of going into Phase Two. For insurers to meet the June 2027 Phase Two deadline, they would need to begin information technology work next quarter. In response, Commissioner Kreidler has provided a Notice of Proposed Rule Making (NPRM) that he is considering delaying the start of Phase Two. However, it will be Commissioner-elect Patty Kuderer (WA), who takes office Jan. 15, 2025, who will make the ultimate decision.

Lisa Brown (APCIA) asked if the data call planned by Washington to collect information about insurer experience with Phase One is dependent on the new commissioner. Forte said that if there is a data call, it will be later in the rule-making process and collect information on insurers' experiences with Phase One began in June. Insurers are reporting they are not receiving many inquiries from consumers.

Bradner said the Working Group believes the growing complexity of rates necessitates transparency to enable consumers to understand the factors behind the increase in insurance premiums. However, it is recommended that the timing of Phase Two in the exposed guidance mirrors Washington's original premium change transparency rule timing of three years. In light of Washington's contemplation of a Phase Two date change, the Working Group has revised its wording in the Notification Thresholds section of the guidance to remove the suggested three-year Phase Two start date. It also added a footnote that specifies states should determine the Phase Two implementation time based on their review of Phase One and implementation of Phase Two considerations.

Revised to:

Notification Thresholds

“(1) Phase One: Beginning [enter date], and effective until [enter date phase one ends] ~~— such as 3 years,~~ insurers must reasonably explain changes in premium for policies described in the Scope of Availability, upon written request by the policyholder, for any premium increase at renewal.

“(2) Phase Two: Beginning [enter date phase two begins], insurers must automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase at renewal. Automatic premium change notice applies to insurance policies with annual premium increases of \$100 or more.

*** The second phase implementation date should be decided by states based on a review of Phase One and implementation of Phase Two considerations.**

NAMIC also expressed disappointment that the Working Group decided not to include Section 4(b)(2)(A) of the National Council of Insurance Legislators (NCOIL) Insurance Underwriting Transparency Model Act, which would exclude “an increase in the insurer’s filed rate plan and automatic inflationary increases.” The Working Group continues to believe policyholders would benefit from knowing these factors, particularly given the impact of recent inflation on rate increases. As such, this exemption would be contrary to the intent of the disclosure.

Additionally, NAMIC expressed concern that the Scope and Communication Standards sections of the guidance are inconsistent with regard to their treatment of the Fair Credit Reporting Act (FCRA). However, the Working Group did not see a conflict with the guidance document if, for example, an entity is required to provide notice regarding driving records under FCRA. The exemption of FCRA-required notices would not mean the requirements cannot mention items covered by the FCRA.

Furthermore, NAMIC felt the undefined term “major” used in the notice examples is challenging because many rating models are multiplicative, not additive. It recommended replacing “major” with “examples of” and deleting “along with the dollar impact of each of those reasons.” The Working Group believes specificity provides important information to the policyholder on the factors driving the increase in their premium. However, as this is just guidance, a footnote was added to the examples to denote states may choose to exclude the requirement that specific premium amounts be attributed to the increase in premium.

Revised to include:

[* States may choose to exclude the requirement for insurers to specify each factor’s dollar impact for the increase in premium. In these instances, insurers should include a statement informing policyholders they can contact a designated representative for details about the specific dollar impacts, along with the necessary contact information.]

Lastly, NAMIC suggested that, with the consolidation of the proposed notices, it would be helpful for the document to clarify that the “Factors for your policy premium increase” should be clearly tied to the uncapped premium. The

Working Group agreed. However, no revision was made, as the example already includes the following statement indicating factors are tied to uncapped premium: “[If the policy premium is capped, a statement such as the following must be included:].”

UP suggested that the Scope of Applicability, Exemptions, 4e, specify the telematics exemption is for those who “routinely” disclose information. They also suggested changing “may want to” to “should consider having these programs included in this disclosure.” The Working Group agreed and implemented these suggestions.

Revision Accepted:

Scope of Applicability

‘(4) Exemptions

‘e. Where a usage based or telematics program is being used, if a company has a process for routinely disclosing information to drivers on how their performance is impacting their rate, an additional disclosure is not required. Otherwise, a state should ~~may want to~~ consider having these programs included in this disclosure, while keeping within state confidentiality laws.

UP also suggested revising the Notifications and Administrative and Notification Requirements sections to specify insurers must automatically provide at least a 60-day (rather than a 30-day) notice of renewal and disclose causes of premium increase within 15 days. The Working Group did not implement these suggestions as this is a guidance document, and, as such, the actual timelines will be determined by states in accordance with their statutory language. The guidance document intends for insurers to make every effort to respond to policyholders’ inquiries before renewal. However, if the complexity of the request prevents insurers from doing so, consumers are expected to continue paying their premium payment while seeking explanations from the insurer.

The Working Group also did not implement UP’s suggestion to specify that primary factors and composite rating variables are specific to the policy in the Communications section for No. 2 and No. 3. The notice already states this.

UP suggested clarifying changes in personal and/or driving characteristics come from members of the household in the Auto Notice Example. For both notice examples, it also suggested adding a requirement that the insurer disclose actions the consumer can take to reduce their premium. The Working Group did not implement these suggestions as they go beyond the scope of the guidance document. Additionally, the carrier may not always reduce premiums for the reasons stated.

APCIA suggested the Working Group amend its draft to provide a minimum premium charged to a consumer in order for the notice to be required under Phase Two of the proposal to avoid requiring notice for minor amounts. The Working Group implemented this suggestion by adding an exemption to exclude policies with an increase of less than \$100 annually.

Revised to:

Scope of Applicability

‘(4) Exemptions

f. For Phase 2, this chapter does not apply to insurance policies with a premium increase of less than \$100 annually.

Notification Thresholds

(2) Phase Two: Beginning [enter date phase two begins], insurers must automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase at renewal.

Automatic premium change notice applies to insurance policies with annual premium increases of \$100 or more.

The Working Group did not implement APCIA's suggestion to allow insurers to interpret for themselves what "prominent disclaimer" means. As guidance, prominent disclosure requirements will be decided by each state. APCIA also noted continued concerns about disclosing proprietary information. However, the Working Group has stated there is no intent to disclose proprietary information (such as rating algorithms). The consumer just needs to understand the factors impacting their rate change.

The Working Group agreed with IIABA that the Communications Standards section needed clarity to indicate the list of primary factors is not exhaustive. It suggested revising 1e to state: "In addition to primary factors, insurers may disclose additional factors that are applicable to the premium increase."

Accepted Revision:

Communication Standards

(1) Insurers should provide sufficient information, including primary factors, in terms understandable to an average policyholder. Primary factors include:

e. In addition to primary factors, insurers may disclose additional factors that are applicable to the premium increase. ~~Factors not listed above as primary are optional. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.~~

Dr. Cude suggested that the example notices should have a "headline" that indicates it includes important and relevant information. The Working Group implemented this concept by adding a bold, 16 pt. font, centered heading that reads, "Notice of Auto (or Homeowners) Premium Increase."

Revised to:

Notice of Auto/Homeowners Premium Increase

In response to Dr. Cude's concern that the use of the word "anticipated" in the example notices would imply uncertainty, the Working Group replaced it with "estimated."

Revised to:

According to the rating plan we filed with your state, your estimated ~~anticipated~~ renewal policy premium is [\$2,121].

The Working Group also agreed that the word “only” in “only \$88” implies a judgment about the dollar amount and removed it.

Revised to:

- **However, the next time you renew your policy your premium increase will be limited to ~~only \$88~~, resulting in a renewal premium of ~~\$1,257~~.**

Tony Cotto (NAMIC) said that while NAMIC does not agree with all the Working Group’s decisions, it appreciates the Working Group’s revision process and its inclusion of explanations of why revision recommendations were or were not made. Detailing this in a document is helpful to NAMIC’s efforts to inform its members. NAMIC appreciates the additional footnotes but continues to have grave concerns with Phase Two. It is out of order to move to Phase Two before studying Phase One. Brown said she echoed Cotto’s comments.

2. Adopted the Revised Premium Increase Transparency Guidance

Baker made a motion, seconded by Zuniga, to adopt the revised Premium Increase Transparency Guidance (Attachment Three-A). The motion passed, with Smith voting against.

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

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Transparency and Readability of Consumer Information (C) Working Group

2025 Charges

1. The **Transparency and Readability of Consumer Information (C) Working Group** will:
 - A. Facilitate consumers' capacity to understand the content of insurance policies and assess differences in insurers' policy forms.
 - B. Assist other groups with drafting language included within consumer-facing documents.
 - C. Develop voluntary regulatory guidance for disclosures for premium increases related to P/C insurance products.
 - D. Update and develop web page and mobile content for *A Shopping Tool for Homeowners Insurance* and *A Shopping Tool for Automobile Insurance*, as needed.
 - E. Study and evaluate ways to engage department of insurance (DOI) communication with more diverse populations, such as rural communities.

2025 Work Plan

1. Update and develop web page and mobile content for shopping tools and consumer guides.
 - a. *A Shopping Tool for Homeowners Insurance*
 - i. Address consumer confusion on deductibles. For instance, many parts of the country are experiencing percent-based hail and windstorm deductibles and/or limited replacement costs to the area of roofs that receive damage. Many consumers do not understand the percentage is based on the insured value, not the damage amount.
 - ii. A large number of insurers have storm deductibles.
 - b. Develop web pages and mobile content
 - i. Explore what other states have done
 1. CT reworking flood webpage to be more appealing to younger consumers
 2. MD has revamped their webpage accordingly
 3. MO built an HO app and has offered it up
 - ii. Explore potential use of 60 second FEMA infomercials
 - iii. Explore if NAIC Communications can do podcasts, infomercials, etc. that Departments can put on their websites
2. Study and evaluate ways to engage DOI communication with more diverse populations, such as rural communities
 - a. Hear from MD and other states who are active in this area.
 - b. MD and LA have a DOI app with the same info that is on their website