

Synopsis of Comments/Revision Suggestions from Comment Letters on the Second Guidance Document Exposure

NAMIC

1. Fails to consider the complexity of composite rating models and is burdensome with limited value.

Working Group Response: The growing complexity of rates necessitates transparency to enable consumers to understand the factors behind their rise in insurance premium.

2. We are disappointed with the refusal to include recommendations related to concerns on Phase Two's automatic, dynamic, personalized disclosures, particularly without analysis or consideration of the effectiveness of Phase One.

Working Group Response: The transparency guidance document's intent is to disclose to the consumer what the rate impact is to them. Personalized dynamic disclosure is needed to achieve this. However, it should be noted that this is just guidance and, as such, how or if it will be implemented will be decided by each state.

However, it should be noted that the Working Group decided to revise the wording in the guidance to remove the suggested three-year Phase Two start date and add 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. The decision was made in light of Washington's announcement on Oct. 31, 2024, that it is considering moving the timing of Phase 2 in its Rule from June 2027 (3 years) to June 2029 (5 years). The Notification Thresholds section was revised as follows:

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.

3. It is unfortunate that the Working Group decided not to include Section 4(b)(2)(A) of the NCOIL Insurance Underwriting Transparency Model Act which would exclude “an increase in the insurer’s filed rate plan and automatic inflationary increases.”

Suggested Revision:

Scope of Applicability

(4) Exemptions

f. This chapter does not apply to an increase in the insurer’s filed rate plan and automatic inflationary increases.

Working Group Response: Not implemented. As stated following the first comment period, this exemption is contrary to the intent of the disclosure.

4. Fix inconsistency. Scope states notices do not apply to policyholder-initiated changes or Fair Credit Reporting Act (FCRA) items. But the “Communication Standards” section factors mentioned include location (policyholder-initiated), credit history (FCRA), and driving record (FCRA). *[no proposed redlines.]*

Referenced sections:

Scope of Applicability

(5) Exemptions

b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.

d. This chapter does not apply to notices required by the Federal Fair Credit Reporting Act (15 U.S.C. 1681 et. seq.).

Communication Standards

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

- a. Auto-related factors: change in car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
- b. Property related factors: change in age, location, and value,
- c. Demographic factors: change in age, credit history, education, gender, marital status, and occupation,
- d. Other factors: change in claims history, discounts, fees and surcharges, premium capping, automatic inflationary increases, and updates to an insurer’s rate plan changes.
- e. Factors not listed above as primary are ~~considered as~~ optional factors. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.

Working Group Response: Not implemented. The exemption of FCRA required notices from these requirements would not mean the requirements cannot mention items covered by FCRA. The Working Group does not see a conflict with the guidance document if, for example, an entity is required to provide notice regarding driving record under FCRA.

5. In examples, the undefined term “major” is challenging because many rating models are multiplicative, not additive. Attributing specific dollar amount calculations to individual factors is an overly simplistic approach, and absent additional detailed regulatory instructions from a state regulator regarding an acceptable procedure for the exact calculations contemplated, companies will struggle to arrive at a consistent procedure that satisfies regulator expectations and provides genuine benefits to consumers. Recommend replacing “major” with “examples of”, replacing “this” with “an”, and deleting “along with the dollar impact of each of those reasons.”

Suggested Revision:

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Here are ~~examples of the major factors for an~~ ~~this increase in your policy premium,~~
~~along with the dollar impact of each of those reasons:~~

Examples of the fFactors for your policy premium increase ~~and the dollar impact~~

- ~~Factor 1 raised your premium \$A~~

&

Phase 2: Homeowners Insurance Policy Premium Increase Notice Example

Here are ~~examples of the major factors for an~~ ~~this increase in your policy premium,~~
~~along with the dollar impact of each of those reasons~~

Examples of the fFactors for your policy premium increase ~~and the dollar impact~~

- ~~Factor 1 raised your premium \$A~~

Working Group Response: Partially implemented. Specificity provides important information to the policyholder on the factors driving the increase in their premium. However, as this is just guidance, states may choose to exclude the requirement that specific premium amounts be attributed to the increase in premium. The following footnote was added to the examples to denote this option:

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.]

6. 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, as insurers will not necessarily be able to provide factors in reference to capped premium. *[no proposed redlines.]*

Working Group Response: The example already includes a statement indicating factors are tied to uncapped premium. The following is the statement already included in the example notice:

[If the policy premium is capped, a statement such as the following must be included:]

United Policyholders

7. In the Scope of Applicability, Exemptions, 4e, specify the telematics exemption is for those who “routinely” disclosure information. And change “may want to” to “should” consider having these programs included in this disclosure.

Suggested Revision:

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.

Working Group Response: Implemented.

8. In the Notifications Threshold, Phase 2 section, specify insurers must automatically provide at least 60 days’ notice of renewal and disclose causes of premium increase within 15 days.

Suggested Revision:

Notification Thresholds

(2) Phase Two: Beginning [enter date phase two begins], insurers must automatically provide **at least 60 days’ notice of renewal and must 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 **within 15 days** upon written request by the policyholder for any premium increase at renewal.

Working Group Response: Not implemented. As previously stated, this is a guidance document and, as such, the actual timelines will be determined by states. States may also need to assess if they need statutory language changes related to the quantity of days specified. The guidance document’s intent is that insurers should make every effort 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.

9. In the Administrative and Notification Requirements section, change disclosure notice requirements from 30 to 60 days prior to renewal in the second phase.

Suggested Revision:

Administrative and Notification Requirements

'(2) For the second phase, insurers must automatically send the disclosure notice at least ~~30~~ 60 days prior to the renewal date if the policyholder receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email (if the policyholder has elected to receive email notifications). Guidance for prominent disclosure remains the same as in phase 1.

Working Group Response: Not implemented. As previously stated, this is a guidance document and, as such, the actual timelines will be determined by states. States may also need to assess if they need statutory language changes related to the quantity of days specified. The guidance document's intent is that insurers should make every effort 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.

10. In the Administrative and Notification Requirements section, for both phases, change b to insurers should respond in 15 days rather than 30 and change c to subsequent requests should be responded to in 15 days rather than 20.

Suggested Revision:

Administrative and Notification Requirements

'(3) For both phases:

'b. Insurers should respond to a policyholder's written request for explanation of premium change no later than ~~30~~ 15 calendar days from receipt of the written request.

'c. Subsequent requests from a policyholder for additional information should be responded to no later than ~~20~~ 15 calendar days. Insurers should make every effort to respond prior to the renewal date. However, there is no expectation that the premium due date will be altered.

Working Group Response: Not implemented. As previously stated, this is a guidance document and, as such, the actual timelines will be determined by states. States may also need to assess if they need statutory language changes related to the quantity of days specified. The guidance document's intent is that insurers should make every effort 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.

11. In the Communications section, for #2 and #3, specify that primary factors and composite rating variables are specific to the policy.

Suggested Revision:

Communication Standards

'(2) For the second phase, insurers must include the primary factors **specific to the policy** in the premium change notice processed for renewals, if applicable to the premium increase.

'(3) If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables **specific to the policy** should be explained.

Working Group Response: Not implemented. The Working Group believes the notice already states the primary factors and composite rating variables are specific to the policy.

12. In the Auto Example, clarify changes in personal and/or driving characteristics come from *members* in the household.

Suggested Revision:

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Remember there also are other rate factors that could cause your auto insurance premium to change in the future. For example, if you change your coverage, or if your personal and/or driving characteristics change, (such as your age* or any accidents or violations **by members of your** ~~in the~~ household), your policy premium could increase or decrease from the premium amounts stated above. [States that use drivers experience instead of age should substitute accordingly.]

Working Group Response: Not implemented. The Working Group felt the current wording was adequate as it implies household members are considered.

13. In the Auto and Homeowners examples, add a requirement in either or both of the two phases that the insurer disclose actions the consumer can take to reduce their premium. This is important given how much rates are increasing for consumers.

Suggested Revision:

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Factors for your policy premium increase and the dollar impact

- **Factor 1** raised your premium \$A

Additionally, there are actions you can take to reduce your premium.

These actions include:

(For private passenger automobile)

- Increasing your deductibles
- Removing drivers who are no longer members of your household or no longer use your vehicles
- Taking a defensive driving course
- Deleting collision coverage from any vehicle with limited value

Phase 2: Homeowners Insurance Policy Premium Increase Notice

Example

Factors for your policy premium increase and the dollar impact

- **Factor 1** raised your premium \$A

Additionally, there are actions you can take to reduce your premium.

These actions include:

(For residential or property coverages)

- Increasing your deductible
- Installing a security system
- Updating plumbing or electrical systems
- Installing a moisture sensor
- Replacing your wood shingle roof or roof over 30 years old with a new class A roof
- Taking mitigation actions such as installing ember resistant vents or creating defensible space around your home

Working Group Response: Not implemented. As previously stated, this recommendation goes beyond the scope of the guidance document. The Working Group's Auto and Homeowner's Shopping Tools provides guidance to consumers on how to reduce their rate. Additionally, the carrier may not always reduce premium for the reasons stated.

APCIA

14. Add a threshold of \$1000 a year in premium. Some auto policies are less than \$1000 annually. Excluding typically low premium policies, such as renter's and condo insurance, is quite burdensome with little benefit given that these policies are relatively inexpensive. A 10% increase on a \$150 renter's policy is just \$15. The cost for companies to update their systems and put together the notices just outweighs the benefit. APCIA suggests 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 2 of the proposal (perhaps \$1,000 annually).

Suggested Revision:

Scope of Applicability

'(4) Exemptions

'g. For Phase 2, this chapter does not apply to insurance policies with a premium charged of less than \$1,000 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 with a premium charged of greater than \$1,000 annually for any premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase at renewal.

Working Group Response: Concept implemented. An exemption was added to exclude policies with an increase of less than \$100. The additions are as follows:

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.

15. Potential Difficulties Properly “Pricing” Factors in Example Notices

- The example notices pose significant compliance challenges and burdens. Multivariant rating is not susceptible to these specific public disclosures. A final rate may be the result of hundreds of factors and calculations not practically disclosable in a manner that would be useful to consumers. The order in which an individual company calculates the new premium impacts the amount of premium change associated with each item impacting the total premium change could change the information the Draft requires be provided to individual policyholders.
 - As an example, if a company increases the factors for accidents by 10% and the person’s driving age by 10% and has a \$1000 policy, then uses accidents first, the premium goes up to \$1100, or \$100, and the increase for driving ages increases the policy to \$1210, or \$110. If the order is reversed, the result is still \$1210 in total premiums, but the dollar impact changes. This will only lead to confusion with customers who try and replicate the calculations a company undertaken to create any numbers shown in the notices. It is much better to just share the top X number of

reasons for why the policy is changing more than 10%. *[no proposed redlines.]*

Working Group Response: The growing complexity of rates necessitates transparency to enable consumers to understand the factors behind their rise in insurance premium. Please note this is just guidance and, as such, how or if it will be implemented will be decided by each state.

16. More prescriptive requirements (font, type size, etc.) can create additional technical challenges that add significant cost and time for insurers. Not all letters/notices can be printed with multiple font sizes without reprogramming the entire letter/noticer for all states. APCA supports keeping the requirement to “prominent disclaimer,” and allowing insurers to interpret what that means.

Suggested Revision:

Administrative and Notification Requirements

- (1) For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction’s requirements. For example, a state may want to provide guidance that **insurers use a prominent disclaimer** ~~be at the beginning of the first page (for printed notices), or first screen (for electronic notices) and at or near the top of renewal billing statements~~ indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.
- (2) For the second phase, insurers must automatically send the disclosure notice at least 30 days prior to the renewal date if the policyholder receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email, (if the policyholder has elected to receive email notifications). **Guidance for prominent disclosure remains the same as in phase 1.**

Working Group Response: Not implemented. This is just guidance and, as such, prominent disclosure requirements will be decided by each state.

17. Continued concerns that the Draft will not be helpful to consumers, will impose significant implementation challenges, and is not consistent with state laws. Insurance laws protect certain proprietary information from public disclosure. The sample disclosures would erode some of these protections. Proprietary information subject to disclosure would be discernible from the level of detail required to be included in the disclosures. *[no proposed redlines.]*

Working Group Response: As previously stated, this is guidance for states. States wishing to use the guidance will need to review it in relation to their state’s statutory requirements. The growing complexity of rates necessitates transparency to enable

consumers to understand the factors behind their rise in insurance premium. There is no intent for disclosing proprietary information (such as rating algorithms). The consumer just needs to understand the factors impacting their rate change.

IIAB

18. Review paragraph (1) of the Communication Standards section. The provision initially appears to provide a non-exhaustive list of primary factors, but subparagraph (e) suggests the primary factors identified immediately above are an exhaustive list and that other factors may be included in the notice (but are not required to be disclosed, regardless of their impact on the premium increase). Subparagraph (e) seems inconsistent with the lead-in text found in paragraph (1), and you may wish to offer additional clarity. Delete subparagraph (e) altogether (especially since paragraph (5) already indicates that additional factors and explanations may be provided by insurers) or perhaps revise subparagraph (e) to state: “In addition to primary factors, insurers may disclose additional factors that are applicable to the premium increase.”

Suggested Revision:

Communication Standards

- (1) Insurers should provide sufficient information, including primary factors, in terms understandable to an average policyholder. Primary factors include:
- a. Auto-related factors: change in car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
 - b. Property related factors: change in age, location, and value,
 - c. Demographic factors: change in age, credit history, education, gender, marital status, and occupation,
 - d. Other factors: change in claims history, discounts, fees and surcharges, premium capping, automatic inflationary increases, and updates to an insurer’s rate plan.
 - 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.**

Working Group Response: Implemented.

BRENDA CUDE

19. The document should have a “headline” that indicates it includes important and relevant information. I used the first sentence of the notice as a headline (centered, 16 font).

Suggested Revision:

The Premium for Your Auto Insurance Policy premium is increasing.

The Premium for Your Homeowners Insurance Policy premium is increasing.

Working Group Response: Concept implemented. The Working Group initially revised the title to the following:

Increase in Auto/Homeowners Premium Notification

Based on feedback from TX, the Working Group subsequently revised the title to be clearer to the following:

Notice of Auto/Homeowners Premium Increase

20. I find problematic the use of the word “anticipated.” A consumer likely would interpret “anticipated” as “expected” which implies uncertainty. I don’t think that is what you intend to communicate. I won’t repeat the alternative wording I suggested earlier but will indicate that I continue to find the word “anticipated” to introduce confusion. *[no proposed redlines.]*

Working Group Response: Partially implemented. The Working Group agreed anticipated was not the ideal word. The premium may not be exact, however. For instance, the premium could be \$21.50 instead of \$21. As such, “anticipated” was changed to “expected,” as follows:

Revised to:

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

21. Delete the word “only” which implies a judgment about the dollar amount that may not be appropriate if the dollar amount is larger.

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.**

Working Group Response: Implemented.