

Synopsis of General Comments from Comment Letters Received on the Previously Exposed Premium Change Transparency Guidance Document

NAMIC COMMENTS:

General Comments:

1. Static example rating factor disclosures will be as effective as individualized, dynamic disclosures.

Working Group Response: The transparency guidance document's intent is to disclose to the consumer what the rate impact is to them. A static example would not achieve this.
2. Separating out dedicated rating variables for consumer disclosure is theoretical and doesn't reflect actual multivariate products filed/approved by DOIs.

Working Group Response: This is needed to disclose to consumers the key variables that are impacting the rate.
3. Some insurers may not have the in-house data to report in a meaningful way.

Working Group Response: The purpose of the phased approach is to allow insurers time to implement needed processes.
4. Programming changes needed will be difficult to operationalize and involve significant investments of time and resources.

Working Group Response: The purpose of the phased approach is to allow insurers time to implement needed processes.
5. The specificity contemplated raises concerns about exposing proprietary information.

Working Group Response: There is no intent for disclosing proprietary information (such as rating algorithms). The consumer just needs to understand the factors impacting their rate change.
6. New disclosure guidance may conflict with existing statutory notice requirements.

Working Group Response: This is guidance for states. States wishing to use the guidance will need to review it in relation to their state's statutory requirements.
7. References to state law authorizing the Department to require these detailed documents should be inserted.

Working Group Response: This is guidance for states. States wishing to use the guidance will need to review it in relation to their state's statutory requirements.
8. A more useful alternative to disclosure would be an annual report by the DOI using information they already possess on the top 3 reasons for rate changes over the year.

Working Group Response: An annual report would not provide details specific to a consumer and why that consumer's rate changed.

9. Data-driven consideration of the number of complaints received by the respective Departments and written requests should be part of any decision before starting any disclosure requirements or proceeding to additional phases.

Working Group Response: Complaint data would not provide the details specific to a consumer and why that consumer's rate changed.

10. The point of comparison for the phase two trigger should be made clearer. For instance, if the last term premium had some proration for changes made during the policy period, calculations would need to be modified. If a homeowner's policy starts a term at a premium of \$1,200, and at exactly the 6-month mark a change is made that would make the full-term premium \$1,300, the policyholder would end up paying \$1,250 for the year due to proration of the change. As currently written, it is unclear whether a carrier would be expected to calculate an increase based off \$1,250 or \$1,300.

Working Group Response: In situations where a mid-term policy change resulted in change in premium for the policy period, for purposes of determining whether or not the 10 percent premium increase threshold is met, an insurer shall compare the renewal premium to the full-term premium that would have been charged had the mid-term policy change occurred at the beginning of the policy period.

UNITED POLICYHOLDERS COMMENTS:

1. Amend the guidance to include critical information to enable the policyholder to validate the accuracy of the renewal premium. This requires providing the base information used for rating factors including but not limited to the specific age of the home, the specific protection class, and the specific zip code of the residence or similar specific details that played a part in the rating formula. This is as opposed to only providing broad categories such as "age of home," "protection class" or "territory."

Working Group Response: These concerns have been addressed with the revisions implemented in the consumer notice examples.

2. Amend the guidance to include specific, actionable information policyholders can use to reduce their premiums or amend their coverage. This requires making the policyholder aware of key information including but not limited to the specific discounts/reductions in premium that the policyholder might be eligible for by increasing the deductible or through taking advantage of available discounts for mitigation steps to reduce the likelihood of loss to the home such as installing water shut-off valves, moisture meters, roof tie-downs, ember resistant vents, gutter guards, a class A roof, or residing in a Firewise Community as examples.

Working Group Response. This is an important insight. However, 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.

3. The disclosure should also provide details about the coverage limit for the dwelling structure and how that limit was derived so that policyholders can consider whether they have adequate coverage. We have found that in midst of every catastrophic loss situation involving broad scale damage to homes the majority of homeowners are significantly underinsured.

Working Group Response. This is an important insight. However, this recommendation goes beyond the scope of the guidance document. The Working Group's Homeowner's Shopping Tools provides guidance to consumers on this topic.

4. A key criterion for any disclosure document that is embedded in a multipage mailing is that the disclosure draws attention to itself and be dynamic and clear in its messaging. Thus, it is important that this disclosure has a bold heading in as large a type as any document in the renewal offer and that the language is direct (e.g., bullet points for each key criterion) in providing these critical details to the policyholder.

Working Group Response: This has been implemented where applicable.

FINAL VERSION OF DISCLOSURE NOTICE

Working Group: Revisions for the title were for readability improvements and typo correction.

Renewal Premium that is a result of a capping procedure employed by the insured

Texas: Implemented. Revisions improve readability.

Renewal Premium that ~~is a result of~~ results from a capping procedure ~~employed~~ used by the insured insurer

Working Group: Revisions for this section were for readability improvements and reflect member-initiated changes and revision suggestions from comment letters for additional specificity on exemptions.

Scope of Applicability

- (1) Disclosure applies to policies renewed on or after [Enter Date].
- (2) Disclosure applies to authorized insurers with the following types of personal insurance policies:

Texas: Implemented. Revisions improve readability.

- (2) Disclosure applies to authorized insurers with ~~the following~~ these types of personal insurance policies:

- a. Private passenger automobile coverage;
- b. Homeowner's coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and

Texas: Implemented. Revisions improve readability.

- b. ~~Homeowner's~~ Homeowners coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and

- c. Dwelling property coverage for owner occupied dwellings only

- (3) Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.

(4) Exemptions

- a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
- b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
- c. This chapter does not apply to personal umbrella policies.

NAMIC: Partially implemented. Exclusions e, g, and f are contrary to the intent of the disclosure.

- d. This chapter does not apply to notices required by the Federal Fair Credit Reporting Act (15 U.S.C. 1681 et. seq.).
- e. This chapter does not apply to an increase in the filed rate plan and automatic inflationary increases.
- f. This chapter does not apply to additional premium due to a change in risk exposure as a result of the policyholder's participation in a usage-based or telematics insurance program.
- g. This chapter does not apply to the aging of such things as a policy, consumer, roof, and home that change the risk profile.
- h. Disclosure does not apply to items reasonably known by the insured (such as a vehicle crash or moving violation).

Notification Thresholds

Working Group: Revisions for this section were for readability improvements and reflect member-initiated changes and revision suggestions from comment letters.

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

NAMIC: Not implemented. This request was withdrawn after NAMIC received clarification that Phase 1 does not include an automatic disclosure notice requirement.

- (1) ... for any premium increases ~~over~~ [specified percent] occurring at renewal.

Texas: Implemented. Revisions improve readability.

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

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

NAMIC:

Not implemented. Disclosure requirements in Phase 2 are at the heart of the premium rate increase transparency goal.

- (2) Delete Phase Two

Or

Not implemented. The 10 percent premium increase threshold is only a recommendation. This is a guidance document and, as such, the actual threshold will be determined by states.

- (2) Phase Two: Beginning [enter date phase two begins], insurers shall provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies. Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent premium increase [higher percent or fixed dollar amount or carrier choice] or more, or upon written request by the policyholder for any [narrow language so not ANY increase] premium increase occurring at renewal.

Texas: Implemented. Revisions improve readability.

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

Brenda Cude: Not implemented. Insurers need time to implement systems needed to provide the disclosure requirements.

Skip phase 1 and go straight to 2 with insurers being given up to 12 months to begin to provide this information to consumers.

APCIA Not implemented. The 10 percent premium increase threshold is only a recommendation. This is a guidance document and, as such, the actual threshold will be determined by states.

The 10% increase threshold is quite low and arbitrary. We have all seen news stories about double-digit premium increases driven by inflation, rising claims costs, and increased impacts of natural catastrophes – all of these are beyond the control of individual policyholders. Using 20% better targets notice to customers who may be most interested in additional information.

Administrative and Notification Requirements

Working Group: Revisions for (1) of this section were for readability improvements and reflect member-initiated changes and revision suggestions from comment letters.

- (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 a prominent disclaimer may be at the beginning of required to be included on the first page (for printed notices), or first screen (for electronic notices) and at or near the top of view of renewal notices, and renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.

Brenda Cude: Implemented. Revisions improve readability and execution clarification.

- (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 prominent disclaimer may be required to be included ~~at or near the top of~~ ~~on~~ the first page (for printed notices), or first screen (for electronic notices) ~~view~~ of renewal 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.

Texas: Not implemented. The premium rate transparency guidance is only meant to be a recommendation and, as such, states can modify language as they see fit.

- (1) For the first phase, insurers should notify policyholders ~~of~~ about their right to ~~request~~ ask for an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a prominent disclaimer may be required ~~to be included~~ on the first page ~~(~~ or online view ~~)~~ of renewal notices, and on renewal billing statements ~~indicating~~ telling policyholders receiving an increase to their premiums ~~at renewal~~ that they can ~~request~~ ask for an explanation by contacting the insurer in writing.

Working Group: Revisions for (2) of this section reflect members' decision to make a minor grammatical addition of "the," change "insured" to "policyholder," and add clarity that the guidance for prominent disclosure remains the same as in phase 1 as suggested from a comment letter.

- (2) For the second phase, insurers must automatically send ~~the~~ disclosure notice at least 30 days prior to the renewal date if the ~~policyholder~~ insured 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~~ insured has elected to receive email notifications). Guidance for prominent disclosure remains the same as in phase 1.

Brenda Cude: Intent Implemented. The suggested revision provides execution clarification, and its intent has been incorporated within the Working Group's revisions.

- (2) For the second phase, insurers must automatically send disclosure notice at least 30 days prior to the renewal date if the insured receives at least a 10 percent premium increase at renewal. ~~A~~ disclosure notification must prominently indicate the insurance premium is increasing and may be included with the renewal notice or may be sent in a separate mailing, or by email, if the insured has elected to receive email notifications.

Texas: Partially Implemented. Throughout the document, "insured" was changed to "policyholder." The parenthesis was added. To address the grammatical suggestion to make "notice" plural, the Working Group inserted "the" before "disclosure notice."

- (2) For the second phase, insurers must automatically send disclosure notices s at least 30 days ~~prior to~~ before the renewal date if the ~~insured~~ 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 ~~insured~~ policyholder has elected to receive email notifications).

United Policyholders: Not implemented. As this is a guidance document, states will ultimately choose their timeframe. 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.

- (2) For the second phase, insurers must automatically send disclosure notice at least ~~60~~ 30 days prior to the renewal date if the insured receives at least a 10 percent premium increase at renewal.

Working Group: Revisions for (3) of this section reflect members' decision to change "insured" to "policyholder." A small grammatical change of striking "the" before "receipt" was made to 3b. To address comment letter concerns on timing of insurer responses to subsequent policyholder requests, 3c was modified to clarify insurers should make every effort to respond prior to the renewal date, but the premium due date will not be altered.

- (3) For both phases:
 - a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.

Texas: Not implemented. The premium rate transparency guidance is only meant to be a recommendation and, as such, states can modify language as they see fit.

- a. Insurers should include a statement in notifications ~~and~~/or explanations (or both) that the policyholder may contact their insurer to ~~request additional~~ask for more information about premium increases.
- b. Insurers should respond to a policyholder's ~~an insured's~~ written request for explanation of premium change no later than 30 calendar days from ~~the~~ receipt of the written request.

Brenda Cude: Not implemented. 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.

- b. Insurers should respond to an insured's written request for explanation of premium change no later than 30 calendar days from the receipt of the written request ~~or no later than 5 calendar days prior to the renewal date.~~

Texas: Implemented. "Insured" was changed to "policyholder" throughout document and "the" was struck before "receipt."

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

United Policyholders: Not implemented. As this is a guidance document, states will ultimately choose their timeframe. 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. Revisions were made to 3c to express both these points.

- b. Insurers should respond to an insured's written request for explanation of premium change no later than ~~60~~ 30 calendar days from the receipt of the written request.
- c. Subsequent ~~Requests~~ requests from a policyholder ~~an insured~~ for ~~subsequent~~ additional information should be responded to no later than 20 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.

Brenda Cude: Partially Implemented. For grammatical consistency with 3b, "Requests from" was changed to "Insurers should respond to." The request that insurer responses be made at least 5 calendar days prior to the renewal date was not implemented. The guidance document's intent is that insurers should 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. Revisions were made to 3c to express both these points.

- c. ~~Insurers should respond to~~ Requests from an insured's ~~written request~~ for subsequent additional information ~~should be responded to~~ no later than 20 calendar days ~~after the insured's request but at least 5 calendar days.~~ Insurers should respond prior to the renewal date.

APCIA Intent Implemented. The concern that prompted this revision suggestion was addressed by revising 3c to clarify insurers should "make every effort" to respond prior to the renewal.

- c. Requests from an insured for subsequent additional information should be responded to no later than 20 calendar days. ~~Insurers should respond prior to the renewal date.~~

NAMIC: Intent Implemented. The concern that prompted this revision suggestion was addressed by revising 3c to clarify insurers should "make every effort" to respond prior to the renewal.

- c. Requests from an insured for subsequent additional information should be responded to no later than 20 calendar days. ~~Insurers should respond prior to the renewal date.~~

Texas: Partially Implemented. "Requests from an insured for subsequent" was revised to "Subsequent requests from a policyholder for additional" for improved readability. The additional readability revisions suggestions were deemed not needed.

- c. Subsequent ~~Requests~~ requests from an ~~insured~~ policyholder for ~~subsequent additional~~ more information should be responded to no later than 20 calendar days. Insurers should respond ~~prior to~~ before the renewal date.

Working Group: Revisions for (4) of this section reflect members' decision to improve readability as suggested in comment letters.

- (4) ~~The effective date of Receipt and response will be in accordance with each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements.~~

Brenda Cude: Not implemented. Readability was improved with different revisions to better reflect each jurisdiction's requirements.

- (4) ~~Evidence of~~ the effective date of receipt and response will be **established** in accordance with each jurisdiction's requirements. **For instance, the jurisdiction may establish that** receipt and response dates may be indicated by either postmark or electronic timestamp.

NAMIC: Implemented. Revisions improve clarity and readability.

- (4) **Receipt and response dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements.** ~~The effective date of receipt and response will be in accordance with each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp.~~

Texas: Not implemented. Readability was improved with different revisions to better reflect each jurisdiction's requirements.

- (4) The effective date of receipt and response will ~~be in accordance with~~ **follow** each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp.

Working Group: No revisions for (5) of this section were received in comment letters or made by the Working Group.

- (5) Insurers should include their contact information in all premium change notifications and explanations to policyholders and may include the producer's (if any) contact information.

Working Group: A small revision to change "via postal mail" to "by mail" was implemented to (6) of this section to improve readability as suggested in comment letters.

- (6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent ~~by via postal~~ mail or electronically.

Texas: Implemented. Revision improves readability.

- (6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent ~~via postal~~ **by** mail or electronically.

Communication Standards

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

Brenda Cude: Not implemented. Original wording is more concise.

- (1) Insurers should provide sufficient information **about the amount, timing, and reasons for the premium increase. Reasons must** ~~include~~ the primary factors **listed below that are relevant to the rate increase and be explained,** ~~in terms understandable to an average policyholder. The~~ 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**.

NAMIC: Implemented. Revisions improve clarity.

- 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.

Texas: Implemented. Revisions improve readability.

- 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.

- (2) For the second phase, insurers ~~must shall~~ include the primary factors in the premium change notice **processed for renewals**, if applicable to the premium increase, ~~with any premium change notices processed for renewals~~.

Brenda Cude: Not implemented. Different revisions were implemented to be more succinct and improve readability.

- (2) ~~In For~~ the second phase **of implementation of the requirement**, insurers ~~must shall~~ include the primary factors in the premium change notice, if applicable to the premium increase, in ~~with any premium change notices processed for renewals~~.

APCIA: Intent implemented. The revision's intent was addressed with alternate revisions.

- (2) For the second phase, insurers shall include the primary factors in the premium change notice, if applicable to the premium increase, ~~with any premium change notices processed for renewals~~.

NAMIC: Intent implemented. The revision's intent was addressed with alternate revisions.

- (2) For the second phase, insurers shall include the primary factors in the premium change notice, if applicable to the premium increase, ~~with any premium change notices processed for renewals~~.

Texas: Implemented. Revision improves readability.

(2) For the second phase, insurers ~~shall~~must include the primary factors in the premium change notice, if applicable to the premium increase, with any premium change notices processed for renewals.

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

NAMIC: Not implemented. The guidance does not specify that insurers must include composite rating variables. It says that if they do, they need to include and explain the premium increase attributed to the composite rating variables.

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

(4) If insurers use estimated dollars, a reasonable explanation should be provided ~~about~~on the degree of accuracy ~~the~~the estimated dollars achieve, ~~as specifically applied to that policy and premium increase.~~

Brenda Cude: Implemented. Revisions improve readability.

(4) If insurers use estimated dollars, a reasonable explanation should be provided ~~about~~on the degree of accuracy ~~the~~the estimated dollars achieve, as specifically applied to that policy and premium increase.

APCIA Implemented. Revisions improve readability and reduce redundancies.

(4) If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve, ~~as specifically applied to that policy and premium increase.~~

NAMIC: Implemented. Revisions improve readability and reduce redundancies.

(4) If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve, ~~as specifically applied to that policy and premium increase.~~

(5) Insurers may include premium change explanations for all premium increases beyond those required.

(6) If an insurer already has a premium increase notification process acceptable to the State's regulator, ~~the regulator may it could be allowed~~the insurer to continue to use the process that is in place.

Brenda Cude: Implemented. Revisions improve readability.

(6) If an insurer already has a premium increase notification process acceptable to the State's regulator, ~~the regulator may it could be allowed~~the insurer to continue to use the process that is in place.

Texas: Not implemented. Alternative revisions were implemented for readability.

(6) If an insurer already has a notification process acceptable to the State's regulator, it ~~could~~may be allowed to continue to use the process ~~that is~~ in place.

Working Group: Phase2 Auto/Homeowners Insurance Premium Increase Notice Example for renewal premium that does not result from a capping procedure used by the insurer was removed. The Phase 2 Auto and Homeowners Insurance Premium Increase Notice Examples for renewal premium that does result from a capping procedure used by the insurer was modified to also apply to renewal premium that does not result from a capping procedure.

REMOVED THIS EXAMPLE:

~~Phase 2: Auto/Homeowners Insurance Premium Increase Notice Example~~

~~Your auto/homeowners insurance premium is increasing.~~

~~Your current premium is \$1,175.~~

~~Your renewal premium is \$1,250.~~

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

~~Reasons for your premium increase and the dollar impact~~

- ~~• Reason 1 raised your premium \$A~~
- ~~• Reason 2 raised your premium \$B~~
- ~~• Reason 3 raised your premium \$C~~
- ~~• Reason 4 raised your premium \$D~~
- ~~• Reason 5 raised your premium \$E~~

~~Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.~~

Working Group: The Working Group removed the reference to rating plans being approved by states because not all states require this. References to “insurance premium” were changed to “insurance policy premium” for clarity. References to the premium’s effective period, frequency, and scheduled date of renewal were removed to simplify the language. Instructions were added for when premium is capped. References to changes in personal characteristics potentially impacting rates was clarified by changing “personal characteristics” to “personal and/or driving characteristics.” Examples of these characteristics were added in parenthesis. “Reasons” was changed to “factors” throughout the examples to clarify these are the rating factors.

MODIFIED THIS EXAMPLE TO APPLY TO CAPPING AND NONCAPPING:

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Your auto insurance policy premium is increasing.

Your current auto insurance policy premium [for what period] is \$1,175 [how often].

Each insurer files a rating plan with the state insurance department ~~for their approval.~~
According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to \$2,121 the next time you renew your policy, which is scheduled for [date].~~

Lemonade: Not Implemented. Capping and non-capping examples were combined and simplified language was added to incorporate both.

Each insurer files a rating plan with the state insurance department for their approval. **Your policy will renew on <date>, and it will increase to a monthly payment of <price> based on the rating plan we filed in <State>.** ~~According to the rating plan we filed with your state, your premium would increase to \$2,121 the next time you renew your policy, which is scheduled for [date].~~

Brenda Cude: Not Implemented. Capping and non-capping examples were combined and simplified language was added to incorporate both.

Each insurer files a rating plan with the state insurance department for their approval. **In** ~~According to the rating plan we filed with your state, your premium would~~ **we asked to increase your premium** to \$2,121 the next time you renew your policy, which is scheduled for [date].

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

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.

Lemonade: Not implemented. The existing sentence provides needed information for the policyholder.

~~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.~~

Brenda Cude: Not implemented. The existing language is more concise. The next sentence addresses concerns on frequency of premium.

Instead, However, the next time you renew your policy, your premium **will increase by** ~~will be limited to only \$88.~~ Your new premium [for what period] will be ~~, resulting in a renewal premium of \$1,257 [how often].~~

NAMIC: Not implemented. The existing sentence is more concise. The use of "However" provides need delineation.

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.~~

Texas: Not implemented. The existing language is more concise. The sentence that follows this one addresses the number of renewals.

However, we are not increasing your premium that much now. ~~‡~~The next time you renew your policy your premium increase will be limited to only \$88, resulting in a renewal premium of \$1,257.

Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121.

Brenda Cude: Not implemented. The existing language is more concise.

Your premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121 **when you renew [date]**.

APCIA: Not implemented. It is important to let the policyholder know the number of renewals needed to reach the full premium amount.

Your premium ~~will continue to increase with each of the next [how many] renewals~~ until it reaches \$2,121.

NAMIC: Not implemented. The existing language is more concise and easier for policyholders to understand.

Your premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121. **But for the rate capping explained in the next sentence, your premium would be less stable. Rate capping allows regulators to approve more gradual changes to insurance rating plans.**

Remember ~~that~~ there also are other **rate factors that could cause reasons** your auto insurance premium ~~to could~~ 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 ~~number of any~~ accidents or violations **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.]

Lemonade: Not implemented. These sentences are needed to explain the capping issue stated above these sentences.

~~Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above. (Move to below reasons for premium increase.)~~

Brenda Cude: Partially implemented. Examples of personal characteristics were added to the existing language.

Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics **change**, (such as **your age, where you park your car, and your car's location, and value**) **change**, your premium could increase or decrease from the premium amounts stated above.

APCIA: Not implemented. The placement of these sentences is intended to explain the capping issue stated above them.

Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above.

Texas: Implemented. Superfluous “that” removed.

Remember ~~that~~ there also are other reasons your auto insurance premium could change in the future.

Alabama: Implemented. “Reasons” was changed to “factors” throughout to clarify these are the rating factors.

Remember that there also are other ~~reasons~~ **factors that could cause** your auto insurance premium ~~could~~ to change in the future.

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

NAMIC: Partially implemented. Replaced “reason” with “factors” to keep language consistent with the earlier section.

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

Or

Here are the major/~~influencing factors~~ **reasons** for this increase in your premium, along with the dollar impact of each of those reasons:

Texas: Not implemented. The existing language provides sufficient clarity.

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

Alabama: Implemented. Replaced “reason” with “factors” to keep language consistent with the earlier section.

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

Reasons Factors for your policy premium increase and the dollar impact

- ~~Reasons~~ **Factor 1** raised your premium \$A
- ~~Reasons~~ **Factor 2** raised your premium \$B
- ~~Reasons~~ **Factor 3** raised your premium \$C
- ~~Reasons~~ **Factor 4** raised your premium \$D
- ~~Reasons~~ **Factor 5** raised your premium \$E

Alabama: Implemented. Replaced “reason” with “factors” to keep language consistent with the earlier section.

Reasons ~~Factor~~ for your premium increase and the dollar impact

- Reason ~~Factor~~ 1 raised your premium \$A
- Reason ~~Factor~~ 2 raised your premium \$B
- Reason ~~Factor~~ 3 raised your premium \$C
- Reason ~~Factor~~ 4 raised your premium \$D
- Reason ~~Factor~~ 5 raised your premium \$E

Lemonade: Not implemented. The original placement is needed as these sentences explain the capping issue stated above them.

Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above. (moved from above to here)

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Working Group: Same language changes from above were implemented into the homeowners example. Only revision suggestions unique to homeowners are included below. References to changes in personal characteristics potentially impacting rates was clarified by changing “personal characteristics” to “personal and/or property characteristics.” Examples of these characteristics were added in parenthesis.

Phase 2: Homeowners ~~Homeowner's~~ Insurance Policy Premium Increase Notice
Example

Texas: Implemented.

Phase 2: ~~Homeowner's~~ Homeowners Insurance Premium Increase Notice
Example

Your homeowners ~~homeowner's~~ insurance policy premium is increasing.

Texas: Implemented.

Your ~~homeowner's~~ homeowners insurance premium is increasing.

Your current homeowners ~~homeowner's~~ insurance policy premium [for what period] is \$1,175 [how often].

Texas: Implemented.

Your current ~~homeowner's~~ homeowners insurance premium [for what period] is \$1,175 [how often].

Each insurer files a rating plan with the state insurance department ~~for their approval.~~
According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to \$2,121 the next time you renew your policy, which is scheduled for [date].~~

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

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.

Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121.

Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your homeowner's insurance premium to ~~could~~ change in the future. For example, if you change your coverage, or if your personal and/or property risk characteristics change, (such as claims filed, age of the home and/or roof, location, and the coverage A value, etc.) your policy premium could increase or decrease from the premium amounts stated above. [States may want to modify language to reflect their specific exposures, such as wildfires or other catastrophe exposures.]

Brenda Cude: Partially implemented. Examples of personal characteristics were added to the existing language.

Remember that there also are other reasons your homeowner's insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics ~~change~~, (such as **the number of claims you filed or the condition of your home** ~~your number of accidents or violations~~) **change**, your premium could increase or decrease from the premium amounts stated above.

Texas: Partially implemented. Superfluous "that" removed and use of apostrophe in "homeowners" was removed.

Remember ~~that~~ there also are other reasons your ~~homeowner's~~homeowners insurance premium could change ~~in the future.~~

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

Reasons Factors for your policy premium increase and the dollar impact

- **Reasons Factor 1** raised your premium \$A
- **Reasons Factor 2** raised your premium \$B
- **Reasons Factor 3** raised your premium \$C
- **Reasons Factor 4** raised your premium \$D
- **Reasons Factor 5** raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

FINAL VERSION OF DISCLOSURE NOTICE

Renewal Premium that ~~is a result~~ results or does not result from a capping procedure employed used by the insured insurer

Scope of Applicability

- (1) Disclosure applies to policies renewed on or after [Enter Date].
- (2) Disclosure applies to authorized insurers with ~~the following~~ these types of personal insurance policies:
 - a. Private passenger automobile coverage;
 - b. ~~Homeowner's~~ Homeowners coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
 - c. Dwelling property coverage for owner occupied dwellings only
- (3) Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
- (4) Exemptions
 - a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
 - b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
 - c. This chapter does not apply to personal umbrella policies.
 - d. This chapter does not apply to notices required by the Federal Fair Credit Reporting Act (15 U.S.C. 1681 et. seq.).
 - e. Where a usage based or telematics program is being used, if a company has a process for disclosing information to drivers on how their performance is impacting their rate, disclosure is not required. Otherwise, a state may want to consider having these programs included in this disclosure, while keeping within state confidentiality laws.

Notification Thresholds

- (1) Phase One: Beginning [enter date], and effective until [enter date phase one ~~ends expires~~ – such as 3 years], insurers ~~must shall~~ reasonably explain ~~provide reasonable explanations for~~ changes in premium for policies ~~as~~ described in the Scope of Availability, upon written request by the policyholder, for any premium increase ~~occurring~~ at renewal.
- (2) Phase Two: Beginning [enter date phase two begins], insurers ~~must shall~~ automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies ~~for any~~ . ~~Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent~~ premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase ~~occurring~~ at renewal.

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 a prominent disclaimer may be at the beginning of~~ ~~required to be included on~~ the first page (for printed notices), or first screen (for electronic notices) and at or near the top of ~~view of renewal notices, and~~ 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 insured~~ 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 insured~~ has elected to receive email notifications). ~~Guidance for prominent disclosure remains the same as in phase 1.~~
- (3) For both phases:
 - a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.
 - b. Insurers should respond to a ~~policyholder's an insured's~~ written request for explanation of premium change no later than 30 calendar days from ~~the~~ receipt of the written request.
 - c. ~~Subsequent R~~requests from a ~~policyholder an insured~~ for ~~subsequent~~ additional information should be responded to no later than 20 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.~~
- (4) ~~The effective date of Receipt and response will be in accordance with each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements.~~
- (5) Insurers should include their contact information in all premium change notifications and explanations to policyholders and may include the producer's (if any) contact information.
- (6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent ~~by via postal~~ mail or electronically.

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.
- (2) For the second phase, insurers **must shall** include the primary factors in the premium change notice **processed for renewals**, if applicable to the premium increase, ~~with any premium change notices processed for renewals.~~
 - (3) If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.
 - (4) If insurers use estimated dollars, a reasonable explanation should be provided **about on** the degree of accuracy **the** estimated dollars achieve, ~~as specifically applied to that policy and premium increase.~~
 - (5) Insurers may include premium change explanations for all premium increases beyond those required.
 - (6) If an insurer already has a **premium increase** notification process acceptable to the State's regulator, **the regulator may it could be** allowed **the insurer** to continue to use the process that is in place.

[REMOVED THIS EXAMPLE:]

Phase 2: Auto/Homeowners Insurance Premium Increase Notice Example

~~Your auto/homeowners insurance premium is increasing.~~

~~Your current premium is \$1,175.~~

~~Your renewal premium is \$1,250.~~

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

~~**Reasons for your premium increase and the dollar impact**~~

- ~~• Reason 1 raised your premium \$A~~

- ~~Reason 2 raised your premium \$B~~
- ~~Reason 3 raised your premium \$C~~
- ~~Reason 4 raised your premium \$D~~
- ~~Reason 5 raised your premium \$E~~

Please call your agent or our Customer Service Representative at (xxx) xxx xxxx with any questions.

[MODIFIED THE NEXT TWO EXAMPLES TO APPLY TO CAPPING AND NONCAPPING:]

Phase 2: Auto Insurance Policy Premium Increase Notice Example

Your auto insurance policy premium is increasing.

Your current auto insurance policy premium ~~[for what period]~~ is \$1,175 ~~[how often]~~.

Each insurer files a rating plan with the state insurance department ~~for their approval~~.

According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to~~ \$2,121 ~~the next time you renew your policy, which is scheduled for [date]~~.

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

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.

Your policy premium will continue to increase with each of the next [how many] renewals until it reaches \$2,121.

Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your auto insurance premium to ~~could~~ 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 ~~number of~~ any accidents or violations 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.]

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

Reasons Factors for your policy premium increase and the dollar impact

- ~~Reasons~~ **Factor 1** raised your premium \$A
- ~~Reasons~~ **Factor 2** raised your premium \$B
- ~~Reasons~~ **Factor 3** raised your premium \$C
- ~~Reasons~~ **Factor 4** raised your premium \$D

- **Reasons Factor 5** raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Phase 2: Homeowners Homeowner's Insurance Policy Premium Increase Notice Example

Your homeowners homeowner's insurance policy premium is increasing.

Your current homeowners homeowner's insurance policy premium ~~{for what period}~~ is \$1,175 ~~{how often}~~.

Each insurer files a rating plan with the state insurance department ~~for their approval~~. According to the rating plan we filed with your state, your anticipated renewal policy premium is ~~would increase to~~ \$2,121 ~~the next time you renew your policy, which is scheduled for [date]~~.

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

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.

Your policy premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121.

Remember ~~that~~ there also are other rate factors that could cause ~~reasons~~ your homeowners homeowner's insurance premium to ~~could~~ change in the future. For example, if you change your coverage, or if your personal and/or property risk characteristics change, (such as claims filed, age of the home and/or roof, location, and the coverage A value, etc.) your policy premium could increase or decrease from the premium amounts stated above. [States may want to modify language to reflect their specific exposures, such as wildfires or other catastrophe exposures.]

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

Reasons Factors for your policy premium increase and the dollar impact

- **Reasons Factor 1** raised your premium \$A
- **Reasons Factor 2** raised your premium \$B

- Reasons Factor 3 raised your premium \$C
- Reasons Factor 4 raised your premium \$D
- Reasons Factor 5 raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.