**Transparency and Readability of**

**Consumer Information (C) Working Group**

**Texas comments on premium increase disclosures**

On the issue of providing premium increase disclosures to policyholders, what approach should the working group take?

TDI recommends that the working group focus on options or best practices such as:

1. Getting the policyholder’s attention, by giving advance notice of a premium increase in a way that the policyholder actually looks at it. Consider:
   1. Separate mailing or email,
   2. Putting something eye-catching about a premium increase on the outside of the envelope or in the email title, or
   3. Text message
2. Setting a 10% threshold for notification.
   * Texas statute (for example): Insurance Code [§ 2251.005](https://statutes.capitol.texas.gov/Docs/IN/htm/IN.2251.htm#2251.005) Notice of rate increase for residential property insurance policies.
3. Providing policyholder-specific information, when applicable. Not just why rates went up overall, but why premium on this policy is higher.
   1. For example, premiums might increase because of
      1. automatic inflation adjustment
      2. remodeling (square footage increase)
      3. motor vehicle violation
   2. List the old premium, the amount of the increase, and the new premium, so policyholders can see the new amount and the difference from the old amount.
4. Disclosures should include insurer contact phone number and email address.

**Texas Insurance Code**

Sec. 2251.005. NOTICE OF RATE INCREASE FOR RESIDENTIAL PROPERTY INSURANCE POLICIES. (a) An insurer shall notify a policyholder of a residential property insurance policy issued by the insurer of a rate increase scheduled to take effect on the policy's renewal that will result in a premium amount to be paid by the policyholder that is at least 10 percent greater than the lesser of:

(1) the premium amount paid by the policyholder for coverage under the policy during the 12-month period preceding the policy's renewal date; or

(2) the premium amount paid by the policyholder for coverage under the policy during the policy period preceding the policy's renewal date.

(b) An insurer shall send the notice required by Subsection (a) before the renewal date and not later than the 30th day before the date the rate increase is scheduled to take effect.

(c) An insurer may send the notice described by Subsection (a) to any policyholder of a residential property insurance policy issued by the insurer, regardless of whether the policyholder's premium amount will increase as a result of the scheduled rate change.

(d) The commissioner by rule may exempt an insurer from the notice requirements of this section for a short-term policy, as defined by the commissioner, that is written by the insurer.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](http://www.legis.state.tx.us/tlodocs/79R/billtext/html/HB02017F.HTM)), Sec. 2, eff. April 1, 2007.