

Date: 11/16/20

*Virtual Meeting
(in lieu of meeting at 2020 Fall National Meeting)*

TRANSPARENCY AND READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP

Tuesday, November 17, 2020

12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

Joy Hachette, Chair	Maryland	Carrie Couch	Missouri
Jimmy Gunn	Alabama	Kathy Shortt	North Carolina
Ken Allen	California	Chris Aufenthie	North Dakota
Michael Conway/Bobbie Baca	Colorado	Cuc Nguyen	Oklahoma
George Bradner	Connecticut	Trisha Goldsmith	Oregon
Angela King	District of Columbia	David Buono	Pennsylvania
Reid McClintock	Illinois	Vickie Trice/Jennifer Ramcharan	Tennessee
Heather Droge	Kansas	Mark Worman/Marianne Baker	Texas
Ron Henderson	Louisiana	Dena Wildman	West Virginia
Daniel Bryden	Minnesota		

NAIC Support Staff: Sara Robben

AGENDA

1. Consider Adoption of its Oct. 29, Oct. 13 and Sept. 21 Minutes Attachment A
—*Joy Hachette (MD)*
2. Continue Discussions Regarding Disclosures for Premium Increases
—*Joy Hachette (MD)*
3. Discuss Any Other Matters Brought Before the Working Group—*Joy Hachette (MD)*
4. Adjournment

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Draft: 11/11/20

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting
October 29, 2020

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met Oct. 29, 2020. The following Working Group members participated: Joy Hatchette, Chair (MD); Ken Allen (CA); Bobbie Baca (CO); George Bradner (CT); Angela King (DC); LeAnn Crow, Brenda Johnson, Shannon Lloyd and Tate Flott (KS); Jeana Thomas and Marjorie Thompson (MO); Kathy Shortt (NC); Cuc Nguyen (OK); David Combs, Jennifer Ramcharan and Vickie Trice (TN); Marianne Baker (TX); and Dena Wildman (WV). Also participating were: Vanessa Darrah (AZ); Renee Campbell (MI); Jana Jarrett (OH); Shannen Logue (PA); Kelly Christensen (UT); Manabu Mizushima (WA); and Bill Cole, Kristi Alma Jose, Donna Stewart and Amanda Tarr (WY).

1. Discussed the Need for Consumer Disclosures Regarding Significant Premium Increases on P/C Insurance Products

Ms. Hatchette said the Working Group's charge was to study and discuss the need for consumer disclosures regarding significant premium increases on property/casualty (P/C) insurance products. She said on the last call, Working Group members were asked to provide the Working Group with any added input or information prior to today's call for consideration.

Ms. Hatchette said the Working Group received information from Texas about its suggestions for a work product as a result of the disclosure discussion. Ms. Baker said she had a discussion with Texas' consumer assistance department. She said the consumer assistance department emphasized the importance of getting the policyholder's attention by giving advance notice of a premium increase. She said Texas believes some ways of getting the policyholder's attention include considering: 1) sending a separate mailing or email; 2) putting something eye-catching about a premium increase on the outside of an envelope or in an email subject line; and 3) sending a text message regarding premium increases.

Ms. Baker said the Texas statute, Insurance Code §2251.005, uses a 10% threshold; therefore, Texas believes a 10% threshold for notification of a premium increase would be appropriate.

Ms. Baker said Texas also believes providing policyholder-specific information to consumers, when applicable, would be appropriate. She said policyholders are interested in why their individual premium have increased, not just what an overall premium increase might be. She said Texas additionally suggests considering listing the policyholder's old premium, the amount of increase, and the policyholder's new premium so that the policyholder can see the new premium amount, as well as the difference from the policyholder's previous premium amount.

Ms. Hatchette asked if Texas is currently using any of its suggestions or if the suggestions are simply a proposal. She asked if consumers find this information helpful if the suggestions are currently being used. Ms. Baker said she would have to defer to Texas' consumer assistance department to answer this question. She said the only place where these suggestions might currently be being used in Texas would be for residential property, as this is where Texas has a statute in place. Ms. Baker said she will talk with the consumer assistance department and provide answers on the next call. She will also provide any examples if available. She said the current Texas statute does not require a specific format. Ms. Hatchette asked Ms. Baker to also find out whether the consumer assistance department has any information about whether consumers find a particular format more useful than others. Ms. Hatchette believes these are some good ideas; however, she is curious to know how items being used in the states are working.

Mr. Allen said the Texas statute says the information about premium increase is specific to residential property insurance. He asked whether when Texas originally worked on this statute, there was any thought or consideration given to commercial insurance or if there has been any conversation about putting something into place in the commercial insurance space. Mr. Bradner asked Texas to expand on the personal auto or commercial auto space. Ms. Baker said Texas has had some internal discussions about the personal auto space, more than in the commercial auto space, but it has not set out any new requirements for these areas. She is not aware of subjects discussed when Texas originally put the statute into place.

Mr. Bradner said Connecticut has requirements in place in the event that there is a premium increase of greater than 10% on the commercial side. He said a greater than 10% premium increase would require insurer notice. Ms. Hatchette asked Mr. Bradner if Connecticut has seen issues and concerns about commercial premium increases once the notices are issued and what Connecticut's experience has been. He said Connecticut does not really have any studies; however, commercial lines customers

generally have greater contact with their agents regarding premium increases and therefore greater explanation. He said the notification requirements also apply to accounts over \$25,000.

Ms. Hatchette said automobile and commercial lines products could also be options in a best practices document for those states that want to include these lines.

Birny Birnbaum (Center for Economic Justice—CEJ) said the CEJ's comments are broken down into two sections. The first section of its comments are specific to disclosure. Mr. Birnbaum said the suggestions provided by Texas assume the use of a universal disclosure for all renewals as opposed to specific significant premium increases that occurred for a number of reasons.

Mr. Birnbaum said it helps consumers and insurers when consumers understand why their premiums increased, as it provides a consumer with detail regarding the activities that led to the increases or decreases in their premiums. He said from a loss mitigation perspective, providing information regarding the increases helps insurers empower consumers to engage in less risky activities. It also affords greater transparency in pricing to consumers. Mr. Birnbaum said this encourages stronger consumer relationships and trust.

Mr. Birnbaum said it is important to provide disclosures regarding premium increases so that there is not an unintended gap in disclosure. He said for example, a number of auto insurers are reducing rates due to current reduced risk exposure caused by less driving as the result of the pandemic. He said the policyholder could experience an increase relative to the base rate change. He said providing a disclosure to all policyholders would be more efficient for insurers and state insurance regulators, and it will be less likely to lead to compliance problems. He said insurers will only be required to develop a template containing relevant text to all consumers, which provides efficiency. There will be little or no additional cost to insurers if the disclosure is part of the renewal notice.

Mr. Birnbaum said there are two key features that the CEJ suggests: 1) the current premium versus the renewal premium; and 2) the explanation for the change in premium, if any. He said currently, for a consumer to find out what their current premium versus the renewal premium is, they must find the declarations page of their previous policy to do the comparison. He said there is no reason not to make this process easier for the consumer. He said regarding the explanation for any change, the CEJ suggests listing the reasons for the change in premium. This allows consumers to see whether any of the reported changes in rating factors or coverage have occurred. The consumer can also see which factors are the most responsible for the changes in premium, which will empower the consumer to engage in risk prevention activities and understand what information is used to determine their premium.

Mr. Birnbaum said the CEJ's comment letter (Attachment-XX) describes a way to show the rate change associated with a particular factor as a percentage or a dollar amount. He said it would be simpler to provide a dollar impact only; but as with any insurance consumer disclosure, there should be consumer testing to evaluate the effectiveness of the disclosure.

Mr. Birnbaum said including the specific reasons for change in premium will lead to greater regulatory and insurer efficiencies. A disclosure would enable the state insurance regulator to more easily and efficiently respond to a question or identify an issue when a consumer has a question or complaint. Consequently, this will reduce the number of communications required between state insurance regulators and insurers.

Charles Angell (AL-Retired) said he thought another reason for premium increase that could be listed on the CEJ's chart would relate to premium capping. It could be that a premium was capped strictly because of a capping rule that either the insurer employs or a state insurance department requires. There may be future increases that will be coming based on a rate increase that was already approved. Mr. Angell said long-term care (LTC) insurers do this to let the consumer know that their premium is going up not only in the current year, but in the next two years, so the insured can decide if they want to reduce coverage to offset the premium increase. He said the same logic is appropriate here to try and inform the insured that they are getting an increase now, but there is another X% increase coming in the next year and perhaps even in the following year. He said he knows this is a problem because whatever dollar amount percentage you try to describe as the future increase, that number or dollar percentage will change because of an extra rate filing. He said you may not be able to show the contribution to premium change from the capping rule, but you could at least alert the insured that this premium has been capped; and if there are no further rate increases in rate filings in the future years, the insured will still see an increase in premium.

Mr. Bradner said he fully supports the suggestion provided by Mr. Angell. He said the capping issue is an issue that should be front and center for an insured, so that when they are making decisions, they know that the insurer has a capping plan in place

and the insured knows they are going to see a premium increase of X number of years. He said he believes this is something the insured needs to understand.

Ms. Hatchette asked Mr. Bradner if he has ideas on how we would explain this to a consumer, because it is a difficult concept for consumers to understand. Mr. Bradner agreed that it is a difficult concept, but the insured needs to understand the concept, especially when an insurer acquires another insurer. He said the Working Group will have to work with the insurance industry to figure out the best way to communicate this concept. Mr. Birnbaum suggested adding wording about the renewal rate for the next renewal periods and base the chart on the total premium increase. Lisa Brown (American Property Casualty Insurance Association—APCIA) suggested that this might be confusing to an insured that had also experienced a couple of accidents. She suggested that the premium increase be referred to as, “spread over X number of years.” Mr. Bradner said this is also an area where an agent might need to explain this concept or the insurer will need to explain this to the insured.

Ms. Hatchette said during the Working Group’s next conference call, it will discuss what the report to the Property and Casualty Insurance (C) Committee will entail. The Working Group will also discuss the Kansas checklist on the next call.

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

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Draft: 10/13/20

Transparency and Readability of Consumer Information (C) Working Group
E-Vote
October 13, 2020

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee conducted an e-vote that concluded October 13, 2020. The following Working Group members participated: Joy Hatchette, Chair (MD); Jerry Workman (AL); Ken Allen (CA); Bobbie Baca (CO); George Bradner (CT); Angie King (DC); Heather Droge (KS); Ron Henderson (LA); Carrie Couch (MO); Kathy Shortt (NC); Cuc Nguyen (OK); and Dena Wildman (WV).

1. Adopted its Interim Minutes

The Working Group conducted an e-vote to consider adoption of its Fall National Meeting minutes, July 30, 2020. The motion passed, with a majority of the Working Group members voting in favor of adopting its July 30 minutes (*see NAIC Proceedings – Summer 2020, Property and Casualty Insurance (C) Committee*).

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

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Draft: 10/15/20

Transparency and Readability of Consumer Information (C) Working Group
Conference Call
September 21, 2020

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call Sept. 21, 2020. The following Working Group members participated: Joy Hatchette, Chair (MD); Ken Allen (CA); Tracy Garceau (CO); George Bradner (CT); LeAnn Crow, Heather Droge and Tate Flott (KS); Ron Henderson (LA); Chris Aufenthie and Chrystal Bartuska (ND); Cuc Nguyen (OK); Jennifer Ramcharan (TN); and Marianne Baker (TX). Also participating were: Vanessa Darrah (AZ); Renee Campbell (MI); Troy Smith (MT); Tynesia Dorsey and Jana Jarrett (OH); David Combs (TN); Tracy Klausmeier (UT); Manabu Mizushima (WA); and Barbara Belling (WI); and Bill Cole, Kristi Alma Jose and Donna Stewart (WY).

1. Discussed the Need for Consumer Disclosures Regarding Significant Premium Increases on P/C Insurance Products

Ms. Hatchette said Working Group members were asked to submit information concerning disclosures their state may already have regarding premium increases. She said currently, Colorado, Kansas and Maryland have sent information regarding premium increases.

Sara Robben (NAIC) said Colorado sent information regarding two regulations used in its state. Both of these regulations are about auto insurance premiums. These regulations discuss a policy that insurers have to follow in order to increase auto premiums. These regulations also discuss adverse activity and usage-based premiums, as well as disclosure requirements for private passenger auto policies.

Ms. Garceau said there is one statute and two regulations. She said Colorado requires insurers to be clear regarding increases where adverse action is involved that does not involve a state-wide premium increase. She said Colorado also requires the insurers to inform consumers that they can contact the division of insurance if they have any questions regarding these increases. She said Colorado also requires insurers to offer an exclusion if one particular driver is the reason for the premium increase. Mr. Bradner asked if the information in the Colorado regulations and statute were related to accidents, convictions and credit. He said one of the items the Working Group is looking at is how an insured might be tiered based on a number of data elements that may be affecting the tiering of that risk. Ms. Garceau said Colorado does not discuss tiering. Mr. Bradner said the Working Group wants to look at the components involved when a policyholder's premium increases by more than a certain percent, say 20%, to identify the factors that drove that premium increase. Ms. Garceau said when they receive consumer complaints, they require the insurer to provide information in monetary terms regarding the premium increases. She said the department of insurance (DOI) finds this information valuable. She said unfortunately, consumers only get this information when they file a complaint and the DOI requests the information from the insurer. She said sometimes, they figure out that a consumer may have lost a discount, which also increases a premium.

Ms. Hatchette asked Ms. Garceau if Colorado has any general consumer information available to educate consumers regarding factors that might increase a premium. Ms. Garceau said she will have to check on this, and she will let the Working Group know. She believes some of their consumer information might need to be updated.

Ms. Robben said Kansas is doing several things in its state, such as a rate and rule filing checklist and memorandums that are sent out regarding premium increases. Ms. Droge said the first document is the rate and rule checklist used by the Kansas DOI. She said this is a required document used by Kansas, and it is located under its general instructions. She said Kansas requires this information to be completed to fill out an extraordinary memorandum. She said if they do not receive everything they need on this document, they will reject the filing. She said insurers know they need to provide this information to Kansas, so there are no longer issues receiving this information.

Ms. Droge said the extraordinary memorandum is used to assist the consumer assistance division, the financial surveillance division, and the executive staff. This is done so these divisions have all of the detail available for the top 30 writers in the state. Ms. Droge said the reasons for the premium increases are listed, as well as histograms, loss ratios for the past five years, the permissible loss ratio, and why they chose to approve the filing. She said there is also a section there that includes talking points from the insurer regarding the premium increase. She said they try to provide as much information as possible to help the consumer division. She said providing this information to the consumer division has proven to be extremely helpful. She said this also helps with communications with their executive committee. Ms. Hatchette asked if the consumer is generally

satisfied when receiving the information given to the consumer division. Ms. Droge said this information is not given directly to the consumer, but it is kept on file and helps the consumer division to understand the rating process and explain generally what has occurred; and the consumer division is able to provide answers based on this information. If the consumer needs more information, it goes back to the rating department. Ms. Hatchette asked Ms. Droge if Kansas has any general consumer information available to educate consumers regarding factors that might increase a premium. Ms. Droge said Kansas does not have this information available besides some of its consumer guides. Ms. Hatchette asked if Kansas has any disclosures that they require an insurer to send out regarding premium increases. Ms. Droge said they did not have disclosures.

Mr. Bradner said Connecticut is in the process of putting together a checklist, and it is planning on putting in a question regarding using artificial intelligence (AI) in the ratemaking. He said Maryland is informing insurers regarding what they can use, and he believes that is helpful. He said at the end of the day, he believes when a consumer receives a premium increase of 20% or more, they are interested in knowing what caused this increase. He believes if there is a substantial rate increase, then the consumer should understand the component. Ms. Droge agreed that these larger premium increases will produce the most consumer calls. She said the memorandums capture the main reasons for premium increases. Mr. Bradner said the histogram shows the number of policyholders getting the premium increases, which is helpful. Mr. Hatchette said sometimes insurers are able to give the reason for the premium increases, but they do not always provide the reason.

Ms. Nguyen asked Kansas if it is a prior approval state. Ms. Droge said it is. She said Oklahoma is use and file, but they do sometimes ask insurers why there was a premium increase. She said they also have an exhibit of the number of people receiving the maximum increase and receive information from the insurer regarding the increase if the department asks. Ms. Nguyen will send the NAIC the statute used in Oklahoma that requires that insurers send a notice of increase 45 days prior to the renewal of a commercial policy and 20 days prior to the renewal of a personal lines policy.

Ms. Hatchette said Maryland does not have anything by law or by regulation that gets into the level of detail of disclosure that explains all of the factors involved in a premium increase. She said the Maryland DOI tries to educate consumers regarding premium increases so that if a consumer comes to the state with a question or complaint, the DOI gets the necessary information and level of detail regarding the increase from the insurer. She said it would require a statutory change to require a disclosure of this nature, and she said it is highly unlikely this year that the Maryland assembly would have the appetite to change existing laws this year, but she is unsure about other states.

Ms. Robben said Texas sent some information for the Working Group to consider. Ms. Baker said Texas has a statute that requires insurers to give 30 days' notice to residential property policyholders if there is a rate increase of at least 10% greater than what the policyholder paid in the last twelve months or what they paid in their preceding policy period. The statute does not require the insurer to provide specific details regarding the reason for the increase. Texas did send links to its consumer information.

Mr. Bradner said it is not a matter of having to come up with statutory language immediately, but he believes it is the matter of the Working Group deciding if it agrees that there should be better disclosure for the consumer when there is a premium increase of greater than some amount so the consumer understands what went into the increase. He said the Working Group can then identify the parameters around what each state might want to add to a checklist when reviewing a rate filing or looking at a statutory requirement a state might want to pursue. Ms. Hatchette believes it would be an excellent idea to provide states with these options.

Mr. Allen said California has quite a bit of information in the rate filings regarding rate increases. He said this has been helpful with all of the homeowners rate increases that have occurred over the past few years. He said when the renewal notice goes out to the policyholder, the "sticker shock" on some of the premium increases is difficult for the policyholder to understand. There is no information regarding the components causing the premium increase. Mr. Allen said California policyholders could benefit from something that is part of the renewal when a premium increase exceeds a pre-determined amount. He said this amount could be different for personal and commercial lines. He believes this would help policyholders better understand premium increases and help to alleviate calls to the consumer services division regarding these increases.

Ms. Garceau said many times, there is a range in a rate increase. She asked if it would create more questions if a consumer is given a number higher in the range. Ms. Droge said Kansas does not typically give the consumer the actual range of the rate increase unless necessary.

Karrol Kitt (University of Texas at Austin) asked why the rate increase ranges are not provided to the consumer when they file a complaint. Mr. Bradner said the only thing they are not providing to the consumer is the rate range unless it affects the consumer's risk. He said the DOI wants to ensure that it provides the information regarding why the particular consumer asking the question had their premium increase. He said the consumer does not really care about the range of premium increases. Ms. Kitt believes the consumer should know the median increase. Ms. Droge said if the consumer asks for this information, the DOI would provide it. She said it provides training to the consumer division so staff is able to help the consumer in a satisfactory manner. Ms. Hatchette said the question is, "do the insurers need to be doing something differently up front to inform the consumer." She said the state insurance regulators are providing the consumers with needed information, but the consumer should not have to file a complaint with a DOI to obtain the needed information. She said the insurers may need to be more proactive so consumers understand the rate increase. Ms. Droge said an insurer has the opportunity to provide as much detail as they want to the DOI; however, when they do not provide enough information, the DOI will go back to the insurer and ask for more information.

Lisa Brown (American Property Casualty Insurance Association—APCIA) said the APCIA agrees that insurers should be able to explain to their policyholders why their rates have increased. She said she believes that sometimes the policyholder will still want validation from the state insurance regulator regarding the rate increase, and they will still file a consumer complaint at times.

Birny Birnbaum (Center for Economic Justice—CEJ) said insurers should provide detailed information regarding why the rate changed at the time the policyholder is renewing.

Ms. Brown said she reached out to the APCIA's companies and received an agreement that policyholder notices regarding premium increases are not something that insurers are going to fight. She said the APCIA believes the term "significant premium increases" should be an agreed upon definition amongst the states. She said part of the reason the definition should be agreed upon is for insurers to be able to automatically generate letters with this information. She said consistency regarding this matter would be welcome as opposed to the variety of information currently requested. She said the APCIA looks forward to working with the Working Group on this matter.

Mr. Bradner said the Working Group needs to consider whether the work will be done for commercial lines or personal lines products because some states have conditional renewal requirements in place for commercial lines products. The Working Group will start with personal lines and decide on what to do with commercial lines at a later point.

Ms. Hatchette asked any states with documents or ideas to consider, to send these documents to Ms. Robben. Ms. Hatchette asked the Working Group members to also review the checklist sent by Kansas. The Working Group will discuss what approach to take on the next conference call, whether it be best practices or a list of options.

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

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