



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

NAIC | SPRING
2021 | NATIONAL
MEETING
VIRTUAL

Transparency and Readability of Consumer Information (C) Working Group

March 15, 2021
Conference Call – 2:00-3:00 pm (Central)

Agenda



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: 3/12/21

Virtual Meeting

(in lieu of meeting at the 2021 Spring National Meeting)

TRANSPARENCY AND READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP

Monday, March 15, 2021

3:00 – 4:00 p.m. ET / 2:00 – 3:00 p.m. CT / 1:00 – 2:00 p.m. MT / 12:00 – 1:00 p.m. PT

ROLL CALL

Joy Hatchette, 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	Tricia Goldsmith	Oregon
Angela King	District of Columbia	David Buono	Pennsylvania
Reid McClintock	Illinois	Brett Bache	Rhode Island
Heather Droge	Kansas	Vickie Trice/Jennifer Ramcharan	Tennessee
Ron Henderson	Louisiana	Mark Worman/Marianne Baker	Texas
Daniel Bryden	Minnesota	Dena Wildman	West Virginia

NAIC Support Staff: Sara Robben

AGENDA

1. Consider Adoption of its Nov. 17, 2020, and Feb. 4, 2021, Minutes
—Joy Hatchette (MD) Attachment A
2. Discuss a Work Plan for Drafting a Best Practices Document Regarding
Premium Increases—Joy Hatchette (MD)
3. Discuss Any Other Matters Brought Before the Task Force
—Joy Hatchette (MD)
4. Adjournment

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Attachment A
Consider Adoption of its Nov. 17 and Feb. 4
Meeting Minutes

Draft: 12/1/20

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting
November 17, 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); Willard Smith (AL); Ken Allen (CA); Tracy Garceau (CO); George Bradner (CT); Heather Droge and Brenda Johnson (KS); Tricia Goldsmith (OR); Vickie Trice (TN); and Marianne Baker, David Dolduc and Laura Machado (TX). Also participating were: Renee Campbell (MI); Chanell McDevitt (NJ); and Jana Jarrett (OH).

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

Ms. Hatchette said the Working Group would discuss the “Rate/Ruling Checklist” that Kansas has in place. Ms. Droge said the “Rate/Ruling Checklist” is part of Kansas’ general instructions it requires insurers to complete with all of its rate and rule filings. She said if the insurer does not return a completed checklist, then Kansas will reject the filing.

Ms. Droge said the purpose of the checklist is to allow Kansas to capture the information it needs to complete the extraordinary memorandum it provides, as well as to help speed to market. She said the checklist allows Kansas to have everything it needs upfront to be more efficient.

Ms. Droge said the first item requested on the checklist reads: “All rate information must be completed on the rate/rule tab without capping.” She said sometimes insurers may not provide information regarding the maximum or minimum rate increase. This requires the state to go back to the insurer to ask for this information, which slows down the review or creates another objection that they feel is unnecessary.

Ms. Droge said the second item requested on the checklist reads: “All proposed rate/rule manual pages must be submitted under the rate/rule schedule tab for approval.” She said Kansas requires all the rate and rule manual pages to be submitted. Ms. Droge said Kansas asks for any changes being made to be submitted.

The third item requested on the checklist reads: “Complete rate/rule manual tab with all proposed changes must be submitted under supporting documents tab as this will be marked informational only. A complete manual should consist of all corresponding rules for your optional forms, all rules corresponding to your rating factors, all rating factors, territory definitions and factors, and all proposed changes to rules and rates.” She said this information is important to Kansas because it does a manual comparison to be sure it can capture changes from a previous rate file to the file it is currently reviewing. If this is not received, the filing is rejected.

The fourth item on the checklist reads: “Provide a histogram on an uncapped basis. (If the file contains more than one company, please provide a separate histogram for each company).” Ms. Droge said this allows Kansas to see how many policyholders are getting the maximum increase and how many policyholders are getting the minimum increase. This information helps Kansas to write its extraordinary memorandum, as well as to provide information regarding the percentage of policyholders affected by the maximum rate increases. She said this allows Kansas to go back to the insurer and ask if there is a cap in place.

The fifth item on the checklist reads: “Provide the characteristics of the insured(s) receiving the maximum rate increase. (If the filing contains more than one company, please provide a separate histogram for each company).” Ms. Droge said this is helpful to help the state understand what is going on with the particular policy so it can be explained to consumers if they contact the Department of Insurance (DOI).

The sixth item on the checklist reads: “Provide the average dollar change, the maximum dollar change and minimum dollar change on an uncapped basis. (If the filing contains more than one company, please provide a separate histogram for each company).” Ms. Droge said this is helpful to the DOI, as it may want to ask for a cap.

The seventh item on the checklist reads: “Please provide our department with a talking points sheet that will assist our consumer assistance division should we receive consumer complaints regarding the rate increase. This submission should provide detailed information that we can share with policyholders that will explain what is causing this rate increase.” Ms. Droge said the insurer provides these talking points to the DOI using their own words, which helps the DOI to provide information to consumers if they receive a consumer complaint. The information received from the insurer is not altered in anyway and is put into the memorandum the DOI creates.

The eighth item on the checklist reads: “Please provide us with the breakdown of the permissible loss ratio by coverage including: 1) Taxes, licenses and fees; 2) Total production expense; 3) Underwriting profit; 4) Any other fees that comprise the permissible loss ratio; and 5) Permissible loss ratio.” Ms. Droge said this information is included so the examiners have it in their memorandum to be sure that number is accurate when compared to the loss ratio to make sure the rate increase is justified. She said if the number is not matching up, they can go back to the company and ask for an explanation as to why the rate increase is not justified.

The ninth item on the checklist reads: “Provide all support and justification exhibits for rate change including how you derived your overall indication, all support for proposed factor changes, etc.” Ms. Droge said this information includes how the insurer derives its overall indication and the support for the proposed changes for its factors. She said Kansas has a statute that requires insurers to include this information in their file. Ms. Droge said prior to using this checklist, insurers did not provide much detail. She said the statute allows the filing to be rejected if this information is not provided.

The 10th item on the checklist reads: “Provide the percentage breakdown of the rate impact per line of coverage. (If the filing contains more than one company, please provide a separate histogram for each company.) (***)Only required for personal auto rate filings.)” Ms. Droge said this allows the DOI to look at impacts and how bodily injury and uninsured motorist lines are affected.

Ms. Droge said the checklist has allowed the DOI to receive more information from the insurer upfront. She said this allows the DOI to be more efficient. Ms. Droge said the DOI does not have any problems with insurers completing the document.

Mr. Allen asked if the checklist was used in conjunction with any other documentation. He said California created an array of documentation, including an application form, two sets of exhibits, a rate template that follows their regulations and a very large document of instructions on how to complete each of the documents. Mr. Allen said the DOI’s documentation is complex and has many requirements. He said once the filings are in, the DOI has documentation it uses internally to do a check to make sure that the information in the rate template matches with the information submitted in the exhibits and that the information in the exhibits matches the information submitted in the application. Mr. Allen said they are doing a validation of sorts regarding what was submitted to try to catch errors. He said a lot of this validation is automated. Mr. Allen said the DOI does not really have a checklist or anything currently in place that requires insurers to identify rate increases given to policyholders. Ms. Droge said the Kansas DOI uses this information mostly for writing an extraordinary memorandum for its consumer assistance division to use to assist with rate filings for some of the top writers. She said this information is required by statute for the exhibits contained within the System for Electronic Rate and Form Filing (SERFF) filings. Ms. Droge said the checklist used by the DOI asks for information it was having to go back to ask insurers for on a regular basis. She said this checklist has been in place for approximately five years and is used for both personal and commercial lines.

Amy Bach (United Policyholders—UP) asked if there was also a standardized form that an insurance agency puts out to notify consumers of premium increases. Ms. Droge said there is not a standardized form in Kansas. Ms. Bach asked if insurers were required to show the DOI examples of consumer notifications for premium increases. Ms. Droge said this was not required in Kansas.

Ms. Hatchette said one of the Working Group’s 2020 charges was to discuss whether there is a need for consumer disclosures regarding significant premium increases on property/casualty (P/C) insurance products. She said the Working Group will be reporting to the Property and Casualty Insurance (C) Committee during the Fall National Meeting regarding the Working Group’s findings. Ms. Hatchette asked if it was the will of the group to create a best practices document that would provide states some options as to what they might want to do individually to handle communications regarding significant premium increases. She said states would be able to refer to the best practices document and select the option that is the best fit for their state.

Ms. Hatchette said the best practices document would include items such as: 1) ways to communicate a premium increase to policyholders; 2) setting a threshold for notification of premium increase (each state would be able to set their own threshold for notification of a premium increase); 3) communication standards for providing the premium increase, such as informing the policyholder of the current premium versus the renewal premium, and the explanation for the change in premium, if any; 4) rate and rule filing checklists to be used by a state DOI; and 5) consumer education regarding premium increases.

Ms. Droge asked how the Working Group would identify all the consumers who had a premium increase. Mr. Bradner asked if it could be included as a checkbox item as an increase of greater than some amount to a group of consumers the insurer has identified. Ms. Droge said the Kanas DOI only asks for this information for the top writers in the state and asked how this would be done for all writers. Ms. Baker said she thinks the idea was that the insurers will distribute the notices to the policyholders. Ms. Hatchette said the best practices document could provide choices, so a state could distribute the notice if it has the resources and chooses to do so.

Mr. Allen said the Working Group previously discussed capping. He asked if there is a cap in place, would the notice include this information. Mr. Allen suggested adding information regarding capping in the recommendations. He said he will provide language to add to the recommendation to the Working Group.

Ms. Hatchette said the consumer education (CE) portion of the document would be a piece that would explain premium increases to the consumer, as receiving a notice they do not understand is not helpful. She said the Working Group would create language to educate the consumer regarding premium increases.

Ms. Garceau said it would be helpful to have the insurer that is sending the information regarding premium increases provide contact information so the consumer can call the insurer with questions about the premium increase, as well as possible ways to reduce their premium. She said this would help to encourage communication between the policyholder and their insurer. Ms. Garceau said she will send suggested language to add to the recommendations.

Birny Birnbaum (Center for Economic Justice—CEJ) said the recommendation is too complicated and prescriptive for what needs to be done. He said the charge before the Working Group is to discuss whether there is a need for consumer disclosures regarding significant premium increases on P/C insurance products. Mr. Birnbaum said the report needs to consist of two things: 1) yes, the Working Group has determined there is a need for such a disclosure; and 2) the Working Group would like to develop such a disclosure. He said part of that disclosure would consider the content, method of delivery and the threshold for the disclosure. Mr. Birnbaum said all of the items discussed thus far fall into one of those three categories. Steve Clark (Insurance Services Office—ISO) said a body of requirements regarding notification on renewals already exists in many states. He said some of these requirements are by statute, some are in regulations, and some are by bulletin. Mr. Clark said the existing requirements regarding thresholds already exist and are between 10% to 25%. He said the thresholds can be set differently by line of business. Mr. Clark asked if this Working Group would be looking to determine new thresholds. Ms. Hatchette said the purpose of this document would be to provide best practices for a state. She said states would have the ability to use all or none of the suggestions. However, if a state has existing statutory or regulatory guidelines for thresholds, states would either follow the thresholds in place or impose any changes they might feel necessary. Ms. Hatchette said this Working Group will not be making changes to thresholds already in place.

Having no further business, the Working Group adjourned.

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Draft: 2/26/21

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting
February 4, 2021

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met Feb. 4, 2021. The following Working Group members participated: Joy Hatchette, Chair (MD); Ken Allen (CA); Robert Rapp (IL); Carrie Couch and LeAnn Cox (MO); Chris Aufenthie (ND); Tricia Goldsmith (OR); and J'ne Byckovski (TX). Also participating were: Renee Campbell (MI); Tracy Klausmeier (UT); and Donna Stewart (WY).

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

Ms. Hatchette said the purpose of the call is to decide on a work plan to draft a best practices document about consumer disclosures for significant premium increases on property/casualty (P/C) insurance products. She said the best practices document should address the content, the method of delivery, the threshold for disclosure, and the respective roles of state insurance regulators and insurers. The Working Group has held discussions over the past few months about ideas that it believes the best practices document should include. Ms. Hatchette said these ideas include ways to communicate a premium increase to policyholders and ideas regarding what thresholds will trigger the notification of premium increases to those policyholders. The Working Group needs to be sure that there is an understanding regarding a state requiring particular thresholds based on its own rules and regulations.

Ms. Hatchette said the Working Group additionally discussed communication standards for providing premium increases to policyholders. She said the Working Group discussed the items that need to be communicated to policyholders, as well as when this information should be provided to the policyholder. The Working Group has also discussed the type of explanation policyholders should receive. Ms. Hatchette said during the Working Group's discussions, rate and rule filing checklists were also discussed. She said the Working Group believes these should also be included in the best practices document.

Ms. Hatchette said the Working Group also concluded that it would be a good idea to include some basic education for consumers regarding what constitutes a premium increase, as many people do not understand premium increases. This type of information would include a basis for understanding why a policyholder's premium is increasing and the factors that go into a premium increase. These items provide some baseline information regarding a premium increase.

The Working Group decided that it would be most efficient to break into multiple drafting groups to begin drafting the document. Each drafting group will be assigned a section to draft. Once each section has been drafted, the Working Group will discuss the sections at the Working Group level.

The Working Group agreed to separate the best practices document into five drafting groups. These drafting groups include groups to discuss the following topics: 1) ways to communicate a premium increase to policyholders; 2) setting a threshold for the notification of premium increases, noting that each state would be able to set their own thresholds; 3) communication standards for providing premium increases, such as informing the policyholder of the current premium versus the renewal premium and the explanation for that change; 4) rate and rule filing checklists to be used by each state department of insurance (DOI); and 5) consumer education about premium increases.

Ms. Hatchette said examples for ways to communicate a premium increase to policyholders would include items such as: 1) whether communication increase to a policyholder should be a notice; 2) if so, when and how that notice should be sent; 3) whether the notice should be sent at the time of renewal or in advance of renewal; and 4) whether the notice should be sent electronically.

NAIC staff will send out a list of the various drafting groups to Working Group members, interested state insurance regulators, and interested parties. Once the list of volunteers is compiled, meetings among the drafting groups will begin.

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

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Discuss Work Plan for Drafting a Best Practices Document Regarding Premium Increases

Group 1 - Ways to communicate a premium increase to policyholders

Name	Affiliation
Dan Gates	AL
Dusty Smith	AL
Lisa Brown	APCIA
Angela Nelson	Auto Club of Missouri
Ken Klein	CA Western School of Law
Birny Birnbaum	CEJ
Bobbie Baca	CO
George Bradner	CT
Ron Henderson	LA
Renee Campbell	MI
Jeana Thomas	MO
Leann Cox	MO
Carrie Couch	MO
Cate Paolino	NAMIC
Charles Angell	Retired AL
Vickie Trice	TN
Dena Wildman	WV

Group 2 – Setting a threshold for notification of premium increase (noting each state would be able to set their own threshold)

Name	Affiliation
Erick Wright	AL
Sherrie Jones	AL
Lisa Brown	APCIA
Angela Nelson	Auto Club of Missouri
Ken Allen	CA
Birny Birnbaum	CEJ
George Bradner	CT
Angela King	DC
Jeana Thomas	MO
Leann Cox	MO
Carrie Couch	MO
Cate Paolino	NAMIC
Charles Angell	Retired
Peter Kochenburger	University of CT School of Law

Group 3 -- Communication standards for providing the premium increase, such as informing the policyholder of the current versus the renewal premium, and the explanation for the change, if any

Name	Affiliation
Dan Gates	AL
Lisa Brown	APCIA
Angela Nelson	Auto Club of Missouri
Ken Allen	CA
Birny Birnbaum	CEJ
Bobbie Baca	CO
Sonya Larkin-Thorne	Consumer Advocate
George Bradner	CT
Angela King	DC
Jeana Thomas	MO
Leann Cox	MO
Carrie Couch	MO
Tony Cotto	NAMIC
Charles Angell	Retired (AL)
Marianne Baker	TX

Group 4 -- Rate and rule filing checklists to be used by a state DOI

Name	Affiliation
Erick Wright	AL
Lisa Brown	APCIA
Angela Nelson	Auto Club of Missouri
Ken Allen	CA
George Bradner	CT
Heather Droge	KS
Karen Dennis	MI
Jeana Thomas	MO
Leann Cox	MO
Carrie Couch	MO
Andrew Pauley	NAMIC
Kathy Stajduhar	UT

Group 5 -- Consumer education about premium increases.

Name	Affiliation
Dan Gates	AL
Stephanie Tompkins	AL
Lisa Brown	APCIA
Angela Nelson	Auto Club of Missouri
Bobbie Baca	CO
Sonya Larkin-Thorne	Consumer Advocate
George Bradner	CT
Angela King	DC
Ron Henderson	LA
Renee Campbell	MI
Dan Bryden	MN
Jeana Thomas	MO
Leann Cox	MO
Carrie Couch	MO
Tony Cotto	NAMIC
Kathy Shortt	NC
Tricia Goldsmith	OR
Amy Bach	United Policyholders
Josh Culley	WA
Dena Wildman	WV

Discuss Any Other Matters