

TRANSPARENCY AND READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP

VIRTUAL MEETING IN LIEU OF THE 2021 FALL NATIONAL MEETING

WEDNESDAY, NOVEMBER 17, 2021

AGENDA

Date: 11/11/21

*Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)*

TRANSPARENCY AND READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP

Wednesday, November 17, 2021

2:00 – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 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
Julie Rachford	Illinois	Brett Bache	Rhode Island
Heather Droge	Kansas	Vickie Trice/Jennifer Ramcharan	Tennessee
Ron Henderson	Louisiana	Mark Worman/Marianne Baker	Texas
Daniel Bryden	Minnesota	<i>Pending</i>	West Virginia

NAIC Support Staff: Sara Robben

AGENDA

1. Consider Adoption of its Summer National Meeting Minutes
—*Joy Hatchette (MD)*
2. Consider Adoption of its Drafting Group Reports—*Joy Hatchette (MD)*
 - A. Consumer Education Disclosures Drafting Group—*Kathy Shortt (NC)*
3. Hear a Presentation on Disparities in Insurance Access—*Brenda J. Cude (University of Georgia)*
4. Discuss Any Other Matters Brought Before the Working Group
—*Joy Hatchette (MD)*
5. Adjournment

Attachment A

 [Transparency.docx](#)

ADOPT SUMMER NATIONAL MEETING MINUTES

Draft: 8/5/21

Transparency and Readability of Consumer Information (C) Working Group
Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*)
July 20, 2021

The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met July 20, 2021. The following Working Group members participated: Joy Hatchette, Chair (MD); Jimmy Gunn and Stephanie Tompkins (AL); Bobbie Baca (CO); George Bradner and Connor Huydic (CT); Julie Rachford (IL); Heather Droge (KS); Ron Henderson (LA); Jeana Thomas (MO); Kathy Shortt (NC); Chris Aufenthie and Janelle Middlestead (ND); Cuc Nguyen (OK); Jennifer Ramcharan (TN); and Marianne Baker and Laura Machado (TX). Also participating were: Michele McKenzie (ID); Linda Grant (IN); Karen Dennis (MI); Trisha Goldsmith (OR); Candy Holbrook (SD); Vicki Ayers (VA); Manabu Mizushima (WA); and Donna Stewart (WY).

1. Adopted its May 13 and Spring National Meeting minutes

The Working Group met May 13 and March 15. During its May 13 meeting, the Working Group took the following action: 1) heard reports from the three drafting groups formed to draft the various sections of a consumer disclosure regarding significant premium increases on property/casualty (P/C) insurance products; and 2) heard a presentation about VisibleThread's language analysis platform.

Ms. Shortt made a motion, seconded by Ms. Droge, to adopt the Working Group's May 13 and March 15 minutes (Attachment xx). The motion passed.

2. Received an Update from the Thresholds and Communications Standards Drafting Group

Mr. Bradner said the Thresholds and Communications Standards Drafting Group determined the following items regarding requirements for disclosures for premium increases: 1) a 10% threshold (any rate change greater than or equal to 10% on renewal) will trigger a notice; 2) the notice must be sent at least 30 days prior to the renewal; 3) the notice must include the new premium versus the old premium; 4) items affecting the premium increase should be listed by dollar amount; 5) the top reasons should be listed and should account for 80% of the premium increase, and the top five reasons for the premium increase should be listed; and 6) if an insurer already has an acceptable notification process in place and the state is in agreement with the process, the insurer could be allowed to continue the process in place; otherwise, these will be the minimum requirements.

Charles Angell (AL—Retired) said in the disclosure notice (Attachment – xx), the second and third paragraphs apply only to policies that were capped. If an insured's premium was not capped, these paragraphs would be deleted and replaced by a single sentence stating the renewal premium. He said the reasons for the premium increase would be listed in descending order with the largest impact being shown first and then at least 80% of the premium increase; this is for the uncapped premium.

Various suggestions were made regarding the last sentence, and the Working Group agreed upon: "Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions."

Birny Birnbaum (Center for Economic Justice—CEJ) suggested that there should be a mechanism in place to test the disclosure to see if it is effective for consumers. Ms. Hatchette said she does not know if the NAIC had a mechanism in place to do consumer testing. She said NAIC staff will follow up to see if there are any mechanisms in place to test this disclosure with consumers. Mr. Birnbaum suggested giving reasons that insureds might offer for premium increases, or at least provide some examples. Mr. Bradner said the Drafting Group would discuss this possibility.

Mr. Angell said a disclosure notice must include specific reasons for the premium increase, which will vary from insurer to insurer. He said he is not sure the NAIC would be able to do consumer testing. He asked if anyone had other ideas on how to do the testing. Mr. Bradner said that maybe the insurers could do a sampling of letters that would send and then these letters could be used to do surveys with the individuals that received the letters on their renewals.

Angela Nelson (Automobile Club of Missouri) said when consumer testing was done on the health side, a consumer information subgroup tested the summaries of benefits and coverage forms, which does have a lot of information and variability by plan.

She said when thinking about the different cost sharing, there were enough common elements to where they could go forward with some clarifications that the Consumer Information (B) Subgroup filled in for the consumer to test.

Ms. Hatchette suggested that perhaps Lisa Brown (American Property Casualty Insurance Association—APCIA) would be able to get the NAIC some samples of reasons for premium increases so the NAIC would be able to simulate what a notice might look like to do some consumer testing. Ms. Brown said until these disclosures are required, it might be difficult to get responses from the insurers. Mr. Bradner agreed that this is only something that could work once a state tells an insurer this is wanted.

3. Received an Update from the Rate Checklist Drafting Group

Ms. Droge said many states do not currently have a rate checklist in place. She said Kansas and Connecticut both have rate checklists in place, and both states find them to be extremely helpful. Ms. Droge said the Rate Checklist Drafting Group believes that although this checklist should not be required, it should be included in the best practices document, as states that do not have something like this in place may find the checklist to be beneficial.

Ms. Droge said Kansas has been using its checklist for about nine years and has found it to be efficient, as the checklist has increased its productivity by reducing the number objections they send out to the insurers. She said the checklist includes items that Kansas thought were most important. Ms. Droge said the checklist has reduced the amount of correspondence going back and forth between insurers and the Kansas state insurance regulators.

Ms. Droge said the Drafting Group made the decision to recommend using the Kansas rate/rule filing checklist. She said the Drafting Group did decide to add a question about whether an insurer is using a rating model. Ms. Droge said the Drafting Group believes that there are times insurers are using rate models and do not include this fact in their rate filings. She said the Drafting Group thinks the additional questions regarding rate models will provide a little more feedback to the state.

Ms. Droge said the document will be distributed to the Working Group members and interested parties following this meeting.

4. Received an Update from the Consumer Education Drafting Group

Ms. Shortt said the Consumer Education Drafting Group began with a master document from which it could pull various pieces of consumer education pieces. She said the Drafting Group has broken into three smaller drafting groups to draft the topics of underwriting and rating, and factors affecting premium increases and discounts.

Ms. Shortt said the Drafting Group is currently working on automobile insurance and will work on consumer education regarding homeowners insurance once the automobile insurance piece is completed. She said each of these drafting groups has been meeting consistently and will continue meeting on a monthly basis until the work is completed.

Ms. Shortt said the Underwriting and Rating Drafting Group has completed its work, and it will be sent to Brenda J. Cude (University of Georgia) for a readability review.

Ms. Shortt said once all of the work is completed and documents are in place for auto and homeowners insurance, the NAIC Communications department has agreed to put together some infographics, social media pieces, and consumer alerts to be used by the departments of insurance (DOIs).

5. Heard a Presentation Showing an Example of Before and After the Use of the VisibleThread Product

Sara Robben (NAIC) showed the Working Group an example of the product output from the VisibleThread product. The product produces a report in both Microsoft Excel and Microsoft Word that shows the number of long sentences that were used, the readability and grade level score for each sentence, and the number of passive voice sentences that are in the document. The product also provides suggestions of how to fix sentences to make them more readable.

Ms. Robben asked Working Group members to let her know if they would like contact from VisibleThread regarding the use of this product. Ms. Baker talked with VisibleThread, and she said the product seemed to be interesting. She said the VisibleThread contact indicated that they were interested in working with insurance companies, which was interesting to her. Ms. Baker said they asked her about policy forms, and she directed them to the System for Electronic Rate and Form Filing

(SERFF) to look at various policy forms. She said she believes working with insurance companies on policy forms would have a huge impact.

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

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EXAMPLE RATE/RULE FILING CHECKLIST

Completed	N/A	EXAMPLE RATE/RULE FILING CHECKLIST	
<input type="checkbox"/>	<input type="checkbox"/>	1.	Please complete all check boxes on this form or your filing may be returned "Rejected," and a resubmission may be necessary.
<input type="checkbox"/>	<input type="checkbox"/>	2.	All rate information must be completed on the rate/rule tab without capping.
<input type="checkbox"/>	<input type="checkbox"/>	3.	All proposed rate/rule manual pages must be submitted under the rate/rule schedule tab for approval.
<input type="checkbox"/>	<input type="checkbox"/>	4.	Complete rate/rule manual 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.
<input type="checkbox"/>	<input type="checkbox"/>	5.	Provide a histogram on an uncapped basis. If the filing contains more than one company, please provide a separate histogram for each company.
<input type="checkbox"/>	<input type="checkbox"/>	6.	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.
<input type="checkbox"/>	<input type="checkbox"/>	7.	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.
<input type="checkbox"/>	<input type="checkbox"/>	8.	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 it is causing this rate increase.
<input type="checkbox"/>	<input type="checkbox"/>	9.	Please provide us with the breakdown of the permissible loss ratio by coverage including: <ul style="list-style-type: none"> a. Taxes, licenses, and fees b. Total production expense c. Underwriting profit d. Any other fees that comprise the permissible loss ratio e. Permissible loss ratio
<input type="checkbox"/>	<input type="checkbox"/>	10.	Provide all support and justification exhibits for rate change including how you derived your overall indication, all support for proposed factor changes, etc.
<input type="checkbox"/>	<input type="checkbox"/>	11.	This checklist item is only required for Personal Auto rate filings: Provide the percentage breakdown of the rate impact. If the filing contains more than one company, please provide a separate histogram for each company.
<input type="checkbox"/>	<input type="checkbox"/>	12.	Rates developed using generalized linear modeling or other predictive modeling techniques must include a detailed narrative of the modeling process. This should include a description of the modeling data, variable selection process, data dictionary, model testing & validation, and any judgements made throughout the process.
<input type="checkbox"/>	<input type="checkbox"/>	13.	If a GLM (Generalized Linear Model) is currently in use, the company must include the SERFF tracking number of the original GLM filing.

**DISCLOSURE NOTICES
RENEWAL PREMIUMS WITH
CAPPING AND RENEWAL
PREMIUMS WITHOUT CAPPING**

FINAL VERSION OF DISCLOSURE NOTICE

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

Instructions to Insurers:

- Each insured receiving at least a 10% premium increase at renewal must receive a Disclosure Notice.
- This notice must be sent to the insured at least 30 days prior to the renewal date. It 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.
- The Disclosure Notice must include a listing of the rating factors/characteristics, and the dollar impact of each rating factor/characteristic on the premium increase, such that at least 80% of the uncapped premium increase is explained.
 - The rating factors should be listed in descending order of dollar impact.
 - Note that a “change in underwriting tier” is not acceptable as a rating factor to be listed. All rating factors/characteristics listed must be such that the insured can understand its content and determine if they have the ability to mitigate the increase caused by that rating factor. If multiple rating characteristics define the underwriting tier, then the premium increase caused by each of those rating characteristics must be considered separately.
- If an insurer already has a notification process acceptable to the State’s regulator, the insurer could be allowed to continue to use the process that is in place.
- The following Disclosure Notice is the minimum required notice. Insurers are permitted to provide additional information if so desired.

DISCLOSURE NOTICE

Your current premium is \$1,175.

According to our current rating plan filed with your state, your renewal premium would be increased to \$2,121. **However, your renewal premium has been limited to \$1,257** rather than charging the entire premium increase at this time. We are phasing in the remaining premium increases for your policy over the next X policy renewals.

Your future renewal premiums may also be increased or decreased by coverage changes you choose to make, by changes in your personal risk characteristics that occur during this time frame, and by future rate change filings made by our company with your state.

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.

FINAL VERSION DISCLOSURE NOTICE

Renewal Premium that is not a result of a capping procedure employed by the insured

Instructions to Insurers:

- Each insured receiving at least a 10% premium increase at renewal must receive a Disclosure Notice.
- This notice must be sent to the insured at least 30 days prior to the renewal date. It 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.
- The Disclosure Notice must include a listing of the rating factors/characteristics, and the dollar impact of each rating factor/characteristic on the premium increase, such that at least 80% of the premium increase is explained.
 - The rating factors should be listed in descending order of dollar impact.
 - Note that a “change in underwriting tier” is not acceptable as a rating factor to be listed. All rating factors/characteristics listed must be such that the insured can understand its content and determine if they have the ability to mitigate the increase caused by that rating factor. If multiple rating characteristics define the underwriting tier, then the premium increase caused by each of those rating characteristics must be considered separately.
- If an insurer already has a notification process acceptable to the State’s regulator, the insurer could be allowed to continue to use the process that is in place.
- The following Disclosure Notice is the minimum required notice. Insurers are permitted to provide additional information if so desired.

DISCLOSURE NOTICE

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.