

June 24, 2022

Sara Robben
Regulatory Research Specialist, NAIC
NAIC Central Office
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

VIA Electronic Mail: srobben@naic.org; joy.hatchett@maryland.gov

RE: APCIA Comments re: Draft Best Practices for Insurance Rate Disclosures

Dear Ms. Robben:

The American Property Casualty Insurance Association (APCIA)¹ appreciates the opportunity to provide comments on the Transparency and Readability (C) Working Group’s draft “Best Practices for Insurance Rate Disclosures” (“Draft”).

APCIA maintains that insurers provide significant amounts of information to their policyholders and the public. In addition to written disclosures already required by law, even a cursory review of insurance company websites will show vast amounts of information available to consumers about the companies, their market practices, and helpful advice to consumers on how to reduce their risk of loss.

As the Working Group was developing the Draft, discussions seemed confined to personal lines property and casualty insurance, but that is not reflected in the Draft itself.

APCIA recognizes there may arguably be room for the industry to improve transparency in communications with consumers, but the solution proposed in the Draft would not be helpful to consumers and would impose significant implementation challenges and expend resources better spent to reduce premiums. APCIA members have some significant concerns with the Draft, and specifically with the example disclosure notices for rate increases.

The Draft is intended to provide increased transparency to consumer regarding complex insurance underwriting and rating methodologies by suggesting insurers supply specific, and very detailed, information to policyholders. This information, without any context for an understanding of complex actuarial science, in no way serves the average consumer and may ultimately lead to increased consumer confusion and misunderstanding. This may be the case despite the rating/underwriting practices of the insurer being the result of regulatory review and approval. Complex rating and

¹ The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions-protecting families, communities, and businesses in the U.S. and across the globe.

underwriting practices of insurers are based on actuarial science that account for demonstrated predictors of risk and are necessary for companies to operate, and to offer the wide array of products and services available to consumers, while ensuring competitiveness and allaying solvency concerns.

Regulators are responsible to ensure that rates are adequate, not excessive, and not unfairly discriminatory as required by law. If one of the goals of the Draft is to ensure that insurers rating practices are sufficiently transparent for a determination of whether they meet that standard, the question should be whether the rating practices are sufficiently transparent for the regulator to make that determination, not each individual policyholder. The Draft fails to address that regulators often have prior approval authority and have access, even to confidential proprietary information, for legitimate regulatory purposes if confidential information is protected from disclosure to third parties. Requiring insurers to provide detailed, sophisticated information to policyholders at renewal to enable individual policyholder evaluations of rating practices is not consistent with state laws. In exchange for the legislature granting insurance regulators extraordinary power, some of the information provided to regulators is protected from public disclosure.

Further, forcing new disclosures on policyholders, many of whom will lack any context for an understanding of complex actuarial science, would not serve the public interest. Insurance consumers rely upon state regulators to ensure that rates are fair and compliant with state law. Requiring insurers to inundate consumers with even more information at renewal may ultimately lead to increased consumer confusion and misunderstanding. Again, complex rating and underwriting practices of insurers are based on actuarial science that account for demonstrated predictors of risk and are necessary for companies to operate, and to offer the wide array of products and services available to consumers, while ensuring competitiveness and allaying solvency concerns. Policyholders may understandably interpret the new disclosures as ‘just more paperwork’ rather than seeing the disclosures as a tool to improve clarity.

Insurance laws protect certain proprietary information from public disclosure. The sample disclosures contained in the Draft would erode some of these protections. It is likely that some information subject to disclosure in the Draft is proprietary to the insurer and/or to third party vendors but would necessarily be discernible from the level of detail required to be included in the disclosures. This could have a detrimental impact on competition. Confidentiality of proprietary information, even beyond the information that falls under the Trade Secrets Act, is necessary to support legislative goals favoring competition and innovation and protecting investment in intellectual property. Regrettably, these legislative objectives would be undermined by the example disclosure notices.

Should states choose to employ the example disclosure notices contained in the Draft, it likely will pose significant compliance challenges and burdens for all companies, even the largest companies. Multi-variant rating is not susceptible to the kind of specific public disclosures envisaged by the Draft. For example, a final rate may be the result of hundreds of factors and calculations not practically disclosable in a manner that would be useful to consumers.

As noted above, insurance rates are generated by sophisticated actuarial and statistical models, which are not intuitive to non-actuaries or statisticians. Requiring insurers to deconstruct rates to provide policyholders with the detailed information required by the Draft, even where possible, will not advance



the public interest and expecting consumers to evaluate mathematical and statistical methodology is likely, instead, to create confusion. Insurance rates and rating models are already subject to review, and quite often approval, by state insurance regulators; consumers are entitled to rely on the regulators to ensure that rates are adequate, not excessive, and not unfairly discriminatory.

Developing a system procedure to itemize premium impact in ways not required under existing law would be costly, especially for companies which have several systems maintaining multiple programs. Imposing these additional costs on insurers will eventually put upward pressure on rates and not serve the public interest.

APCIA offers to work cooperatively on a cost-effective approach that would deliver more information that is useful to most consumers, in the context of protecting proprietary information, supporting competition, and encouraging innovation. We do not believe the current Draft achieves this objective.

Thank you for the opportunity to provide comments. If you have any questions or would like to discuss any of our comments further, please let us know.

Respectfully Submitted,

A handwritten signature in black ink that reads "Lisa Brown". The signature is written in a cursive style and includes a long horizontal line extending to the right.

Lisa Brown
Sr. Director, Market Conduct and Counsel

June 24, 2022

Joy Hatchette, Chair
Transparency and Readability of Consumer Information (C) Working Group
c/o Sara Robben, Regulatory Research Specialist – srobben@naic.org
1100 Walnut St, Suite 1500
Kansas City, MO 64106-2197

Re: Exposure Draft – Best Practices for Insurance Rate Disclosures

Dear Chair Hatchette and Committee Members:

On behalf of the National Association of Mutual Insurance Companies (NAMIC),¹ thank you for the opportunity to provide comments on the working group’s draft “Best Practices for Insurance Rate Disclosures” suite of five (5) documents, first formally exposed for comment on June 10, 2022. NAMIC is committed to collaborating with policymakers and consumer advocates to make sure that consumers have information that helps them understand their coverage and options, as well as price, in a useful format. We applaud the efforts of the working group and subgroups involved in the exposed draft, and we are especially appreciative of the transparent process that went into developing the proposals and for the support of risk-based pricing underlying the consumer education information documents. We also commend the Working Group for limiting the proposed disclosures to renewal increase in premiums.

NAMIC members appreciate the vital role that accurate, transparent communication plays in providing policyholders with the power and knowledge to make smart choices in the insurance marketplace. Insurers are committed to providing reliable, accurate, and helpful information to consumers. While it is always worthwhile to consider how information can be improved or made clearer, we caution the working group that suggested requirements that insurers provide consumers with information that is too granular will have negative

¹ NAMIC membership includes more than 1,500 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country’s largest national insurers. NAMIC member companies write \$357 billion in annual premiums. Our members account for 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.



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consequences such as inundating policyholders with too much information causing frustration, increased compliance costs, expanding litigation risks, and the potential exposure of proprietary trade secrets, resulting in the opposite of the stated goal with minimal benefit to policyholders.

With that foundation, there are comments and concerns we wish to raise for consideration:

General Comments

- The disclosure documents do not specify that their application is intended to be limited to personal, not commercial lines; while this was mentioned during the working group calls, it may be worth specifically noting in documents proposed by the working group.
- Some insurers do not generate the detailed rating information contemplated by the disclosure documents in-house and may not be able to develop a way to gather and report it in an individualized, meaningful way to consumers.
- For even the most technologically sophisticated insurers, the degree of systematic programming changes necessary to attempt to provide the detailed rating information contemplated by the disclosure documents will be extraordinarily difficult to operationalize and involve significant investments of time and resources – the cost of which are ultimately paid by policyholders and may not result in the perceived benefit: information read and used by the policyholder.
- As a result of the highly competitive and innovative marketplace, insurers have developed complex, multivariate rating plans, which are thoroughly reviewed and approved by regulators. These plans enable competition and improve the accuracy of risk-based pricing; sharing the degree of specificity contemplated in the draft disclosure documents raises concerns about exposing proprietary information to the public. Imposing the draft disclosure documents may actually have the opposite effect of what is intended by *reducing* both the policyholders' capacity to read all the information and the sophistication of insurance products.
- Many companies already offer extensive information within the policy's declarations or on coverage change forms that show examples of considerations that impact rates and eligibility. Mandating additional detailed notices tailored to each policyholder at arbitrary premium thresholds would not be helpful to consumers and is more likely to create confusion. A requirement to illustrate or explain "major reasons," constituting 80% of a premium increase would be open to interpretation, difficult for carriers to execute, and provide no clear benefit. Companies will struggle to arrive at a consistent procedure that satisfies regulator expectations and provides genuine benefits to consumers. Also of note, certain factors/characteristics, such those in Credit-based Insurance Scores (CBIS), are often already required to be disclosed to the policyholder under existing state law.



- Many insurers are already providing some pricing information directly to the policyholder through telematics and real-time data points about how driving habits are affecting the policyholder. While not uniform, making additional information mandatory creates the potential for overloading the policyholder with information that may result in it not being reviewed. We recommend that telematics and usage-based-insurance programs where a consumer has opted into a fluctuating rate be specifically excluded from the Working Group's considerations.
- The "Examples of reasons a premium might increase" document is an expansive list that would benefit consumers more than a dynamic, individualized disclosure notice. We encourage the committee to further improve the list by focusing on only those factors/characteristics put in place by an insurer and removing those changed at the request of the policyholder (e.g., addition of a vehicle), or at a minimum drawing clear distinction between the two.
- The consumer education material documents will be an outstanding resource for both Departments of Insurance and insurance companies to use with policyholders – while the comments below make numerous recommendations on specific language, we commend the effort and fully support the continued development and eventual distribution of these documents when finalized.

Document Specific Comments

"Example Rate Filing Checklist" Document (Page 2)

Checklist item # 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."

Comment: It seems odd to require carriers to provide a specific script for regulators' use in conversations with complainants. While we understand this to be an existing informal practice in some states, we question the propriety of such a requirement as part of a filing, particularly when no specific consumer complaints can exist yet about a rate that has not been implemented. Additionally, please note that the requested talking points can only be generic in nature concerning base rates. Finally, the information provided under this checklist uses the term "detailed information" that is not clear and potentially duplicative of the information in Checklist Item #10.



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Checklist item # 9:

- “b. Total production expense”

Comment: We recommend more clearly defining the terms included in this item – for instance, what constitutes a “production expense” for purposes of this checklist, as this is not a commonly accepted term of art. To the extent other terms in item # 9 may not be entirely clear or consistent across insurers, additional definitions might be appropriate.

Checklist item #10:

- “Provide all support and justification exhibits for rate change including how you derived your overall indication, all support for proposed factor changes, etc.”

Comment: We recommend the replacement of both uses of “all support” in this item with either “adequate support” or “appropriate support” consistent with state statutes related to rate filings.

“Disclosure Notice” Documents (Pages 4 -7)

Bullet # 1:

- “Each insured receiving at least a 10% premium increase at renewal must receive a Disclosure Notice.”

Comment: NAMIC would recommend that notices be triggered by a request from the consumer rather than an automatic requirement. If there is still a desire to require a mandatory automatic disclosure, NAMIC suggests that the trigger be increased, and language be added to ensure that the proposed percentage does not include increases in premium related to a new rating plan or as a result of policyholder-initiated changes resulting in price increases at renewal. This would more meaningfully identify those policyholders whose experience may be an outlier in a manner more consistent with the working group’s charge. The working group may also wish to consider some sort of threshold dollar amount as a potential trigger rather than a simple percentage, or permitting carriers the flexibility to choose between systems, which could potentially facilitate compliance.

Additionally, where notices related to rate capping are concerned, we believe there are particular challenges that will actually add confusion to the consumer being notified rather than provide them with useful or actionable information, because rate capping is not a process controlled by the consumer. Additionally, the rate capping disclosure draft assumes both that the rate capping is occurring in total isolation and that there will be no other



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changes to a capped policy for years, which is highly unlikely. NAMIC suggests removing the requirement that the next renewal price be included in the disclosure document for capped premium renewals as it unlikely to be accurate for various reasons (e.g., policyholder-initiated changes, new rate filing) and will lead to more questions.

Bullet # 2:

- “The 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.”

Comment: NAMIC would recommend that notices be triggered by a request from the consumer rather than an automatic requirement based on a certain level of increase in premium at renewal. To the extent that a notice is required, we appreciate and support the flexibility of providing such notice either with the renewal, by separate mail, or by email, which will help contain compliance costs.

Bullet # 3:

- “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.”

Comment: Should a policyholder request an explanation or if required by some triggering event, the vague language in this bullet implies that an insurer could be obligated to list *all* the rating factors that went into an increase and is inconsistent with the sample notice’s reference to “major reasons.” This is not only impractical, but also operationally extremely difficult if not impossible in some instances. Particularly in a complex, multivariate, multiplicative plan (which most insurers use), assigning a dollar amount to each rating characteristic when multiple things change at renewal can be confusing at best. For instance, simply changing the order in which factors are applied can affect the dollar amount changes caused by each while still resulting in *the same premium for the consumer*.

For instance, in a scenario where all else being equal, two rating characteristics are applied in a different order of operations at renewal, those characteristics’ individual dollar effect on premiums will necessarily be different because they were calculated in a different sequence, and therefore started with different numerical values, even when all other calculations remain the same. Similarly, by failing to account for decreases in some factors while others result in increases, the proposed disclosure document could result in calculations inconsistent with the



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premium amount the consumer is being presented on their renewal, causing even greater confusion. Another complexity presenting challenges is the explanation of variable interaction when a multitude of factors are changing at once – a home or vehicle aging one year does not happen in a vacuum – other parts of the equation are also in flux and all affect one another in developing the ultimate premiums, all as part of processes subject to approval by the Department of Insurance.

Rating is a multivariate analysis where many variables and characteristics interact with and temper other rating variables and characteristics; separating out dedicated rating variables for a consumer disclosure is premised on theoretical rating, not the reality of the actual multivariate products filed with and approved by Departments of Insurance. Insurance consumers are not insurance regulatory actuaries – they rely on insurance regulators to review complex rating plans to ensure rate fairness and adequacy. Company and agent interaction with customers suggests policyholders are not seeking complex answers, mathematical calculations, and detailed explanations on every issue, especially when the consumer may not have asked the question in the first place and may not know how to apply the information they receive.

We recommend replacing “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” with “example rating factors/characteristics.” We additionally recommend the deletion of the two sub-bullets under bullet # 3, which would be rendered moot by the recommended change to example rating factors/characteristics.

Bullet # 4:

- 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.

Comment: We agree with and support this approach.

Bullet #5:

- “The following Disclosure Notice is the minimum required notice. Insurers are permitted to provide additional information if so desired.”

Comment: If the best practice document is to be turned into a formal requirement, this bullet should include a specific reference to the applicable provision in the state insurance code authorizing the requirement of such a notice.



Disclosure Notice Text:

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

Comment: The term “major” is undefined in this document. Determining what reasons qualify as “major” is challenging, particularly because many rating models are multiplicative, not additive. We recommend replacing “major” with “examples of”, replacing “this” with “an”, and deleting “along with the dollar impact of each of those reasons.” In addition to the challenges outlined above where specific dollar amount calculations are concerned, absent additional detailed regulatory instructions from a state regulator regarding an acceptable procedure for the exact calculations contemplated, companies will struggle to arrive at a consistent procedure that satisfies regulator expectations and provides genuine benefits to consumers.

In the event the Working Group declines to accept the above recommendation, we recommend replacing “major factors” with “influencing factors/characteristics”.

“Examples of reasons a premium might increase” (Page 9)

Bullet # 3:

- “We increased the amount of building coverage to reflect increased building costs.”

Comment: An increase in the amount of building coverage is generally initiated by a consumer, not an insurer. There are also times that the policy coverage limits include increases tied to inflation and are automatically increased. We recommend changing to “The amount of building coverage increased.”

Bullet # 5:

- “We increased base [] rates for everyone.”

Comment: If a premium increase at renewal for a particular policyholder is due to a new rate filing and is still included for explanation, this example should recognize that not everyone may have received an increase under the filing. As a result, we recommend that it be changed to “We filed a new rating plan that increased your rates”. However, if the earlier suggestion of eliminating disclosure of premium increases resulting from a rate change is accepted this should be deleted. Note, if the intent is to better inform those policyholders whose experience is



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inconsistent with others in the market, information about a base rate increase is not going to be particularly useful.

Bullet # 6:

- “Your insurance credit score has gotten worse.”

Comment: In most states, specific notice requirements arising out of an adverse action related to CBIS are already set forth in statute. While this would certainly be a valid reason to include on a list, it is inherently duplicative and may lead to confusion.

Bullets 7 & 12:

- “You added additional coverage for [] to your policy”
- “You added an additional driver to your policy”

Comment: The term “additional” is unnecessary in both these examples. Additionally, should the suggestion to remove policyholder-initiated reasons for an increase in premium is accepted this example should be deleted.

Bullet 11:

- “You lost a discount [] you had on your last policy.”

Comment: Rather than “lost a discount”, we recommend “no longer qualify for a discount.”

“Consumer Education Information Regarding Insurance Rates – Auto” (Pages 11 – 18)

Page 11, Paragraph 3:

- “To underwrite an auto insurance policy insurers want information about certain factors that might affect your potential to file a claim.”

Comment: We recommend replacing “potential to file a claim” with “likelihood of experiencing an insurance loss.”

- “You have control over other factors an insurer considers, including where your car is and how you use it and the make and model of car you’re insuring.”



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Comment: We recommend adding CBIS to this list.

Page 11, Paragraph 5:

- “The questions you’re asked when you apply for insurance help the company assess the likelihood you’ll file a claim.”

Comment: We recommend replacing “file a claim” with “experience an insurance loss.”

Page 11, Paragraph 8

- “The less risky your rating factors are, the less you will pay for auto insurance.”

Comment: We recommend replacing with “All else being equal, the less likely you will experience a loss according to your rating factors, the less you will pay for auto insurance”.

Page 12, Paragraph 2

- “They may charge different amounts for the same or similar coverage.”

Comment: We recommend replacing “may” with “often”.

Page 12, Paragraph 3

- “Also, some states have different requirements that affect which factors insurers can use. States also have different requirements about how much insurance you have to buy, which may affect your cost.”

Comment: We recommend deleting “also.” We recommend replacing “different requirements that affect” with “limitations on”. We recommend replacing “may affect” with “affects”.

Page 13, Heading 2

- “Social Factors”

Comment: We recommend replacing “social” with “additional risk”.



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Page 13, Paragraph 3 & Page 14, Paragraph 2

- “Some states let insurance companies consider your occupation and education to decide how much you pay for insurance.”
- “The insurer may use your driving behaviors and habits to determine how much you pay for insurance.”

Comment: We recommend deleting “states let” and replacing “to decide/determine how much you pay for insurance” with “in determining rates.”

Page 14, Paragraph 1

- “Credit-based insurance scores predict the likelihood of filing a claim, the amount of a claim, or the likelihood a policyholder will stay with an insurer or shop around.

Comment: We recommend deleting this reason as CBIS is already highly regulated including requirement for adverse action notification. Alternatively, replacing everything after “likelihood” with “of experiencing an insurance loss” So it reads “Credit-based insurance scores predict the likelihood of experiencing an insurance loss.”

Page 14, Paragraph 3

Comment: We recommend deleting the second and third sentences, which are repetitive and duplicative of the first paragraph.

Page 14, Paragraph 8, Bullet 1

- “Discounts may vary depending on the insurance company and the state where you live;”

Comment: We recommend deleting “may.”

“Consumer Education Information Regarding Insurance Rates – Homeowners” (Pages 19 – 27)

Page 20, Paragraph 1

- “Different insurance companies may determine the risk of insuring you in different ways and charge different amounts for the same or similar coverage.



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Comment: We recommend replacing “may determine” with “assess.”

Page 20, Paragraph 3

Comment: We Recommend adding “& Loss History Reports” to heading after “History.”

- “If you’ve filed homeowners insurance claims you may pay more for insurance.”

Comment: “We recommend adding “or if a previous homeowner has filed such claims” after “claims.”

- “Different insurance companies may treat claims information differently, so it’s always a good idea to shop around.”

Comment: We recommend deleting “may.”

Page 20, Paragraph 4

- “Credit-based insurance scores predict the amount of a claim, the likelihood of filing a claim, or the likelihood a policyholder will stay with an insurer instead of shopping around.”

Comment: We recommend deleting this reason as CBIS is already highly regulated including requirement for adverse action notification. Alternatively, replacing everything after “likelihood” with “of experiencing an insurance loss” So it reads “Credit-based insurance scores predict the likelihood of experiencing an insurance loss.”

Page 20, Paragraph 7

- “It’s a good idea to get a copy of your credit report:

Comment: We recommend adding information indicating to consumers how to get a free copy of their credit report.

Page 21, Paragraph 2

- “Each insurance company has its own list of pets and breeds that it will or won’t cover, or that may increase your premium.”



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Comment: We recommend replacing “Each insurance company has its own” with “Some insurance companies have”, as not all carriers use such lists in underwriting.

Page 21, Paragraph 3

- “Smoking may increase the risk of a fire in your home.”

Comment: We recommend replacing “may increase” with “increases.”

Page 21, Paragraph 7

- “Your policy will cover your home and possessions.”

Comment: We recommend replacing “cover” with “specify the coverage for”

Page 23, Paragraph 1

Comment: We recommend adding bullets for additional optional coverages including flood and earthquakes.

Responses to Comments from June 9 Meeting

During the Working Group’s meeting to expose the proposed best practices, the Center for Economic Justice recommended that the premium increase threshold triggering disclosures be calculated before any reduction in coverage, as well as the addition of a new section to the proposed disclosure notice requiring the identification of reductions in coverage and specific dollar impacts. We urge the Working Group to decline both these recommendations, as they are impractical and would do little to assist consumer understanding of their coverage. Additionally, reductions in coverage are treated by some states as nonrenewal and/or renewal with altered terms that already required specific notice requirements, a practice already contemplated by existing NAIC Model Acts MDL-720 and MDL-725.

Conclusion

We believe strongly that the entire insurance ecosystem is better off when policyholders have a better understanding of their policies and coverages. Mutual insurers are built on the foundations of community and financial education – the mutual model has a long and proud history of service to member policyholders, and we remain committed to providing the most useful information possible to explain and improve comprehension of



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increasingly more complex insurance products. Thank you again for the opportunity to follow the development of the proposed documents and now to provide these formal comments. We continue to encourage the NAIC and its members to work collaboratively with your colleagues at NCOIL and across state legislatures examining similar issues this year – insurers seek the greatest degree of uniformity possible in insurance regulation for the sake of efficiency as well as consistency in consumer protection. We look forward to continued discussions with policymakers and NAIC staff on these educational materials for consumers, which are essential to the continued success and credibility of our industry.

Sincerely,

A handwritten signature in black ink that reads "Tony J. Cotto". The signature is written in a cursive style with a large, prominent 'T' and 'C'.

Tony Cotto, Esq.
Director of Auto and Underwriting Policy

I realize these comments are very late and plan to offer them during the meeting, but wanted to provide them in writing so folks could see while I talked. CEJ offers the following comments on the premium increase disclosure.

Birny

Premium increases can be a result of higher rates for existing coverages, additional coverage or a reduction in coverage. A consumer paying the same premium from one year to the next is actually paying a higher premium if the coverage has been reduced by, say, a higher deductible, a cop on coverage amounts or actual cash value instead of replacement cost. Consumer understanding of the impact of premium increases though coverage reductions is as important, if not more, than simple rate increases. Consequently, we suggest two revisions to the disclosure notice templates:

1. Add the following sentence to the first instruction bullet (10% threshold). Calculate the premium increase before any reductions in coverage. For example, the insurer changes the roof coverage from replacement cost to actual cash value. If the coverage had remained replacement cost, the premium increase would have been 11%, After the change to ACV coverage, the premium increase was 3%. For purposes of the evaluating premium increases for this disclosure, the 10% threshold is met in this example.

2. Add another section below "Reasons for your premium increase and the dollar impact" -- **Coverage reductions and the dollar impact**. Under this heading would be a list of any coverage reductions and the additional premium if the coverage had remained the same. For example:

Reason -- Coverage for roof damage has changed to actual cash value from replacement cost: If coverage had stayed the same, you premium would be \$ higher.

Reason -- The deductible for wind damage has increased from 1% to 2%: If coverage had stayed the same, you premium would be \$ higher.

Reason -- Claim settlement disputes are subject to mandatory arbitration. If coverage had stayed the same, your premium would be \$ higher.

Thank you, Sara. You can replace my below email with the following written comments for the Transparency and Readability of Consumer Information (C) Working Group regarding the draft document, "Best Practices for Insurance Rate Disclosures":

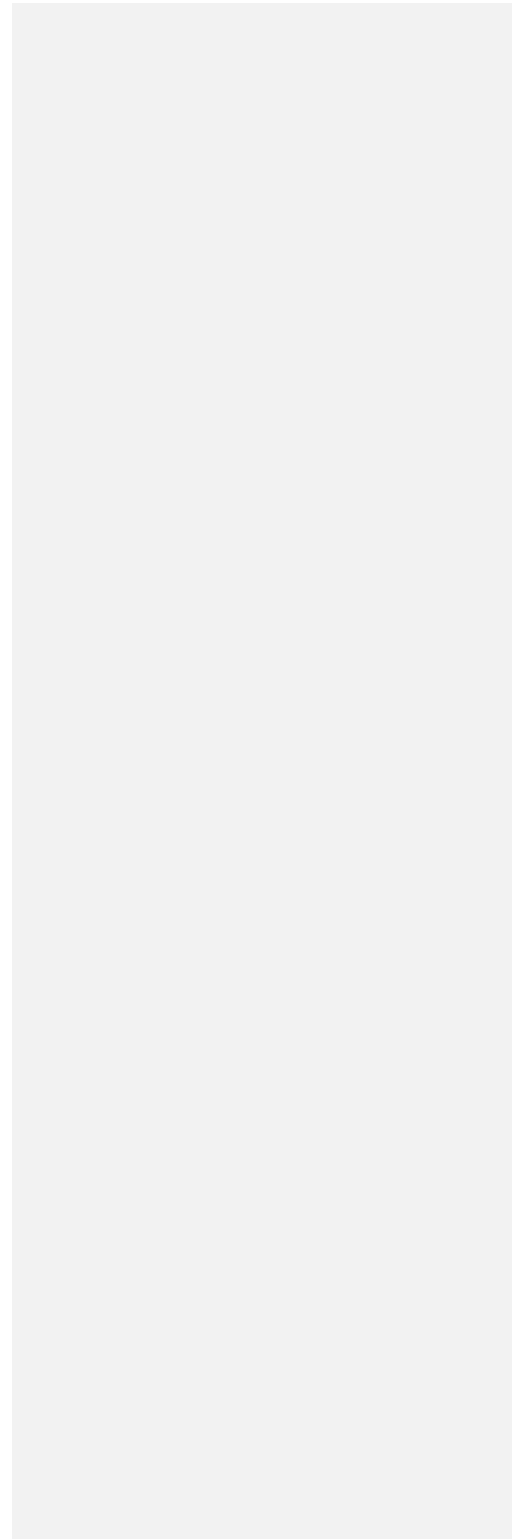
1. One of the major sections of the document is entitled, "Consumer Education Information Regarding Homeowners Insurance Rates." Within that section are the subsections, "Factors Relating to your Policy" and "Your Home's Characteristics." Broadly across this entire section and subsections, the message is that
 - homeowners need to be aware that what they pay to buy a home and what it costs to rebuild a home can be very different numbers;
 - what it costs to rebuild can be a bigger number;
 - that the insurance company can estimate adequate rebuild coverage if asked;
 - and that the insurer then will write insurance that will provide adequate replacement cost coverage.

I agree with this advice, and it is the advice that many State Departments already offer. However, there is now a long history of post-disaster underinsurance disputes where the homeowner claims they did precisely as advised and still turned out to be profoundly underinsured. With some frequency, when the policyholder then raises to the insurer that the homeowner insured to the insurer's estimate, the insurer responds that the adequacy of the coverage was based on an *estimate*, that the ultimate coverage limit was the *homeowner's* choice (the insurer asserts that if the homeowner wanted more, then they should have asked), and that the *homeowner* is the true expert (as opposed to the insurer) on what it would cost to rebuild the home. Sometimes, the insurer narrative is the winning one. My academic research undermines the notion that the homeowner actually is better positioned than the insurer to evaluate adequacy of coverage or that (if so) this is actually clearly disclosed to homeowners by regulators or insurers. I would recommend that the draft Working Group document be amended on current numbered page 22 to add a new, final paragraph to the text titled, "The Homeowners Coverage You Choose" (which begins on p. 21); that additional paragraph would read: *"If you are relying on the agent to estimate adequate coverage to fully rebuild your home then you should confirm to the agent in an email or other writing that you are relying on the agent to make sure that you have adequate coverage to fully rebuild your home, and that what you think you are buying is adequate coverage to fully rebuild your home."*

2. If the Working Group is trying to address issues of low-engagement consumers, then information on rate increases should be pushed to consumers rather than only given in response to a consumer inquiry.

Best Practices for Insurance Rate Disclosures

DRAFT



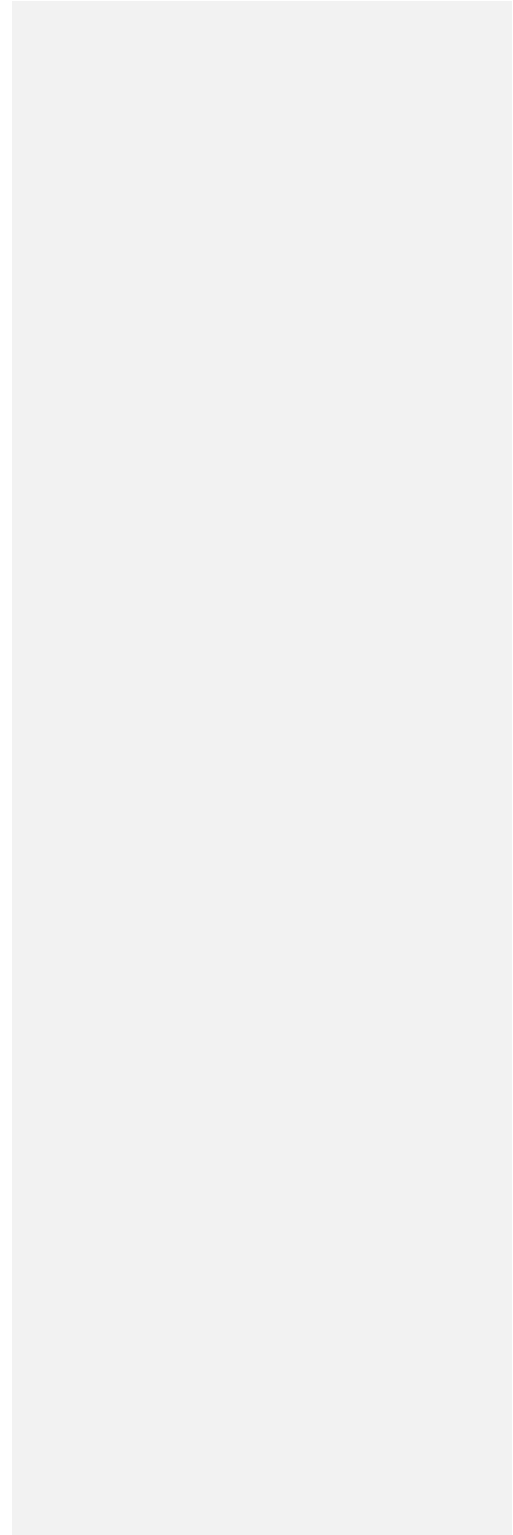
Example Rate Filing Checklist

DRAFT

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.

Example Disclosure Notice for Rate Increase with Capping

DRAFT



FINAL VERSION OF DISCLOSURE NOTICE

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

Instructions to ~~Insurer~~Insurance sCompanies:

- 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~~insurance company already has a notification process acceptable to the State’s regulator, the ~~insurer~~insurance company could be allowed to continue to use the process that is in place.
- The following Disclosure Notice is the minimum required notice. ~~Insurer~~Insurance scompanies are permitted to may provide additional information if so desired.

Commented [A1]: Suggest sticking to "insurance company" consistently and not varying with "insurer" or "company"
Consumers typically use the term insurance company

Auto Insurance Premium Increase Notice

Your auto insurance premium is increasing.

Your current auto 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, y~~our premium ~~would~~will be increased to \$2,121 the next time you renew your policy, which is scheduled for [date].

Commented [A2]: Consider adding a reading level requirement.

Commented [A3]: See a suggested rewrite of this notice below – titled "Suggested revised notice"

Commented [A4]: Consider not including this info about rating plans. Some states do not approve rate filings.

However, the next time you renew your policy your premium will increase by \$88 to \$1,257.

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

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 number of accidents or violations), your premium could increase or decrease.

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

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.

Suggested revised notice

Auto Insurance Premium Increase Notice

Your auto insurance premium is increasing.

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

The next time you renew your policy your premium amount will increase by \$88. This means, starting [date], your premium amount will be \$1,257 [how often].

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

Reasons for the premium amount increase and the dollar impact:

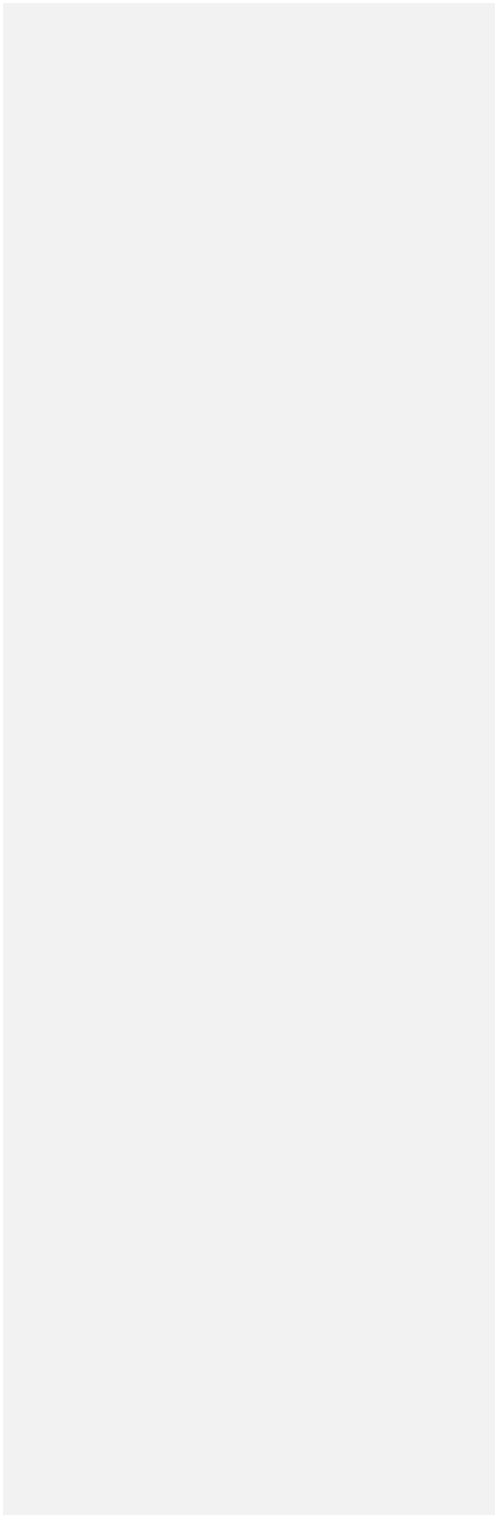
- Reason 1 raised your premium \$A
- Reason 2 raised your premium \$B
- Reason 3 raised your premium \$C
- Reason 4 raised your premium \$D
- Reason 5 raised your premium \$E

Other reasons your premium amount could change.

There are other reasons your auto insurance premium could increase or decrease in the future. Examples: (1) you change your coverage, or (2) your driving record changes, such as the number of accidents or violations.

Questions?

Call your agent or our Customer Service Representative at (xxx) xxx-xxxx.



Example Disclosure Notice for Rate Increase without Capping

DRAFT

FINAL VERSION DISCLOSURE NOTICE

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

Instructions to ~~Insurer~~Insurance Companies:

- 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~~ **explained** separately.
- If an ~~insurer~~ **insurance company** already has a notification process acceptable to the State’s regulator, the ~~insurer~~ **insurance company** could be allowed to continue to use the process that is in place.
- The following Disclosure Notice is the minimum required notice. ~~Insurer~~ **Insurance companies** ~~may be 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~~ **The** major reasons for this increase in your premium, along with the dollar impact of each of those reasons, ~~are~~ **are**:

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

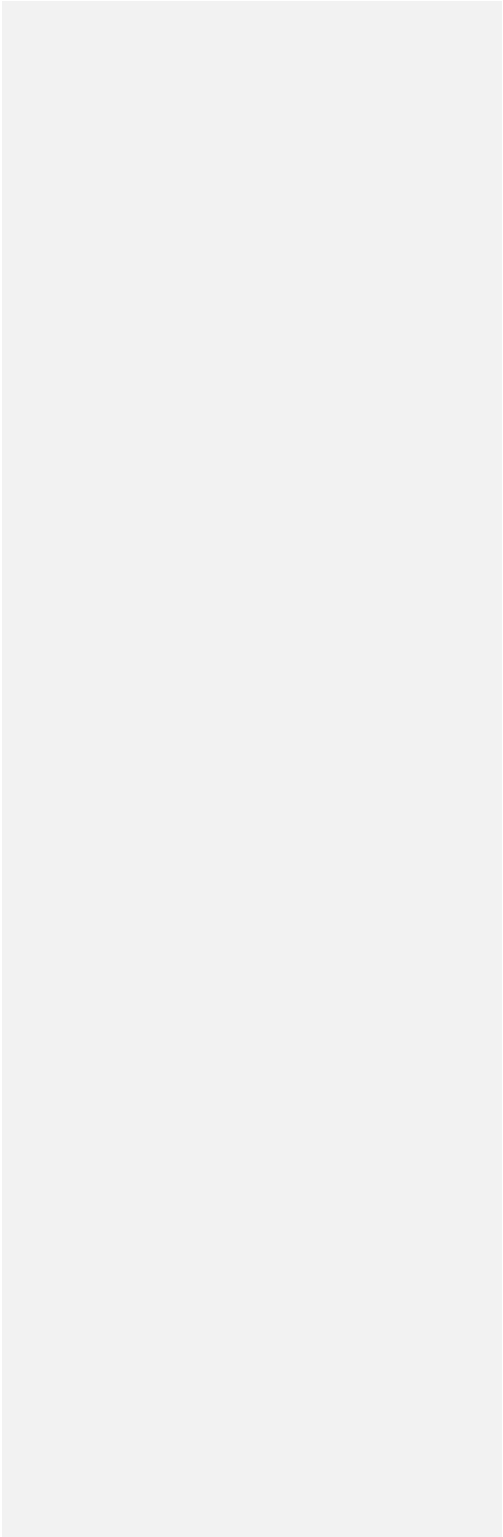
Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Commented [A5]: Consider adding a reading level requirement.

Commented [A6]: Consider making this notice parallel the **Auto Insurance Premium Increase Notice** above.

Examples of Reasons for Increases

DRAFT



Examples of reasons a premium might increase

[] means something for the company to fill in.

Some are HO specific; some are PPA specific, some work for both

- We increased the amount of [] coverage as you ~~requested~~asked.
- We increased the amount of building coverage ~~to reflect~~due to increased building costs.
- We increased rates in your ~~geographic~~area.
- We increased base [] rates for everyone.
- Your insurance credit score has gotten worse.
- You added ~~additional~~more coverage for [] to your policy.
- You added a new vehicle to your policy.
- We started using a new rating factor [].
- We stopped using a rating factor [].
- You lost a discount ~~for~~ [], ~~which~~ you had on your last policy.
- You added an~~other~~ ~~additional~~ driver to your policy.
- You made [] claims in the past [] years.
- You were in [] accidents.
- You got [] driving tickets and violations.
- You let your insurance lapse ~~by~~ *[insert one or more:*
 - ~~[not paying your premium on time]~~
 - ~~[not returning your renewal documents]~~
 - ~~[other reason]~~.
- Your child is now driving age.
- Your marital status has changed.
- Your address has changed.
- Your occupation ~~-/type of job~~ has changed.
- Your criminal history has changed.

Commented [A7]: These two might need more info. Maybe add something like:

"We started using a new rating factor, which is [], and which increased the premium because []."

Consumer Education Information Regarding Insurance Rates - Auto

DRAFT

AUTO INSURANCE UNDERWRITING AND RATING

~~The way auto insurers determine your how much you pay for insurance is constantly changing. The process~~ Your auto insurance company's underwriting and rating process starts with the information you provided gave on the application. ~~The two parts of the process are underwriting and rating.~~

Commented [A8]: Consider using left align for the text, instead of justified. It is easier to read, especially for those with dyslexia.

HOW DO ~~INSURER~~INSURANCE COMPANYS UNDERWRITE?

The first part of the process is underwriting. Insurance companies underwrite to:

- ~~assess know~~ the risk of insuring an applicant, and
- ~~to~~ group the applicant with others who are have similar risks.
- ~~When underwriting, the company also decides whether if it will to~~ insure the applicant.

To underwrite an auto insurance policy, ~~insurer~~insurance companies want information about certain factors that might affect your potential to file a claim. Some of these factors are beyond your control, such as age and gender, ~~are beyond your control~~. You have control over other factors an ~~insurer~~insurance company considers, including where your car is, ~~and~~ how you use it, and the make and model of your car ~~you're insuring~~.

An underwriter uses information from your application as well as from and other sources.

~~Insurer~~Insurance companies depend on the information in your policy application. The questions you're asked when you apply for insurance help the company assess the likelihood you'll file a claim.

Insurance companies also get information from other sources. For example, some auto ~~insurer~~insurance companies get information about your credit history from credit bureaus. They also will may get information about your driving record from third parties, such as:

- your driving record from the Division of Motor Vehicles, and
- your history of filing auto insurance claims from insurance claims databases.

AUTO INSURANCE RATING

After underwriting, the next step is to rate rating the risk. The insurance company sets a rate for each group of applicants who are similar risks.

When it rates a risk, the insurance company applies its rates and rating factors to price the policy. ~~The rating factors are spelled out in the company's rating system. Companies have to file their rating systems with their state insurance department and follow that plan. The company sets a rate for each group of applicants who are similar risks.~~

A rating factor reflects is a specific risk characteristics of an applicant potential policyholder used to price auto insurance premiums. The less risky your characteristics rating factors are, the less you will pay for auto insurance.

For more information about the rating factors many ~~insurer~~insurance companies use, see *Factors Used to Rate Auto Insurance*.

HOW DO ~~INSURER~~INSURANCE COMPANIES DETERMINE AUTO INSURANCE PREMIUMS?

Insurance companies use information about you, your vehicle, and your insurance coverage to decide whether to insure you and how much you'll pay ~~for auto insurance.~~ They'll get this information from you or other organizations. ~~ask you for some of this information. Sometimes insurance companies also get information about you from other organizations.~~ All of this information is used to rate you as an insurance risk and affects ~~linked to "factors" or considerations that affect~~ how much you'll pay for insurance, ~~or how the insurer "rates" you as an insurance risk.~~

Some factors relate to the driver~~s~~(s) and some to the type of vehicle you want to insure. Others are based on the amount and type~~s~~(s) of coverage you buy. There ~~also~~ are discounts that could reduce the premium.

~~Different~~ insurance companies use different methods to determine your risk~~their risk of insuring you~~. Different insurance companies~~They~~ may charge you different amounts for the same or similar coverage.

Also, some states have different requirements that affect which factors insurers can use. States also have different requirements about how much insurance you have to buy, which may affect your cost.

GENERAL INFORMATION

Age, years of driving experience, gender, and marital status are common factors ~~insurer~~insurance companies may use to ~~determine~~decide how much you'll pay. ~~how much you pay for insurance~~. The insurance company gets information about your driving record and accident history from a third party (such as the Division of Motor Vehicles). In some states, ~~insurer~~insurance companies can't consider certain factors, such as ~~your~~ gender or age.

If other drivers live with you, your company will also look at their information to decide how much you'll pay.

~~What you pay for insurance may be based not just on you but also on all insured drivers in your household, including those not related by blood, such as roommates.~~

HOW YOU USE THE VEHICLE

Your insurance premium may vary based on whether you use your vehicle only for pleasure or drive it back and forth to work. Driving for pleasure means that you drive only occasionally. If you drive only for pleasure, you might~~may~~ pay less ~~for your insurance~~.

Most ~~personal~~ auto insurance policies won't cover ~~pay for~~ accidents if you're using your car for ~~business~~ work purposes. Ask your agent or insurance company about your coverage if you drive a car for work. ~~It's important to discuss how you use your car when you talk with an insurance agent or company representative.~~

GENDER AND AGE

~~Data~~Some research shows that males have more accidents than females and younger drivers have more accidents than older and more experienced drivers. That's why young men are usually often charged more for insurance ~~traditionally have paid more for insurance~~ than young women. Inexperienced drivers may pay more regardless of age. Some states don't let insurance companies use gender as a factor when they rate insurance.

Insurance companies look at accident statistics for all age groups. What you pay for insurance may change as you get older.

Some states require insurance companies to give a discount to any primary driver over 55 if they complete an approved ~~who is older than age 55 and who voluntarily completes a motor vehicle~~ accident prevention or defensive driving course ~~approved by the Division of Motor~~

| [Vehicles.](#)

LOCATION

It's important to tell your insurance company where you keep (or "garage") your vehicle. You may pay more or less ~~for insurance~~ based on ~~the zip code or territory~~ where you live or keep your car. The company may look at the weather and number of accidents and thefts in the area you live in.

~~Some things your insurance company might consider about where you live or keep your car are accidents, thefts, and weather in the area.~~

SOCIAL FACTORS

Some states let insurance companies consider your ~~occupation~~ job and education to decide how much ~~you pay for insurance~~ to charge you. That's why an insurance company may ask what you do for a living and how much school you've completed.

In some states, married drivers ~~might may~~ pay less for insurance. ~~Also, And~~ homeowners ~~might may~~ pay less than renters.

COVERAGE HISTORY

When you apply for insurance, you may be asked about your previous insurance coverage. Most insurance companies charge ~~you~~ more if you've ~~had gaps in coverage~~ gone without insurance before.

You ~~might may~~ need to ~~give supply~~ the name of ~~your~~ previous insurance ~~company~~ companies (ies) ~~and~~, the dates you were insured, ~~and who insured you in the past.~~ ~~Insurer~~ Insurance ~~s~~ companies want to know if a company ever cancelled your ~~insurance~~ policy because you didn't pay for non-payment. ~~Your new insurance company also may might ask if you've had traffic tickets or been in an accident. ask about your traffic violations and claims history.~~

Commented [A9]: Moved this to driving habits section

Some states limit the use of prior insurance coverage as a factor when rating a policy.

DRIVING HABITS AND HISTORY

Insurance companies look at your driving record and ~~/or~~ habits and those of anyone else on your others covered by your insurance policy or living with you. Your new insurance company might ask if you've had traffic tickets or been in an accident. ~~Some companies also look at the records of others living in your home.~~ Typically, your driving record for the past three to five years ~~may~~ impacts what you pay ~~for insurance~~. Drivers with a ~~bad poor~~ driving record have a greater chance of being ~~involved~~ in an accident and ~~might may~~ pay more for ~~their~~ insurance.

Drive safely. Nothing affects your ~~auto insurance~~ premium more than how you drive. ~~Insurer~~ Insurance ~~s~~ companies consider drivers who have caused car with previous violations or at fault accidents to be a higher risk and ~~might may~~ charge them more for insurance.

~~Although the Companies~~ company will may get your driving record from a third party when you apply for a policy, but it's still important to be honest and truthful when asked about your driving record when you give the insurer information. Being honest will mean it's more likely that your quote will match what you'll actually pay for your insurance.

If your driving record has improved over the last few years, ~~it may be worth shopping~~ around to see if you ~~can~~ would pay less with another insurance company.

VEHICLE OWNERS AND OPERATORS IN YOUR HOUSEHOLD

Some states may let you exclude a driver from your insurance policy. Others will not. An excluded driver is a driver that you ask your insurance company not to cover, usually because having them on your policy will ~~increase what you'll pay, cause you to pay higher premiums.~~ Talk with your agent or insurance company to learn if this is an option for you. Be aware that if an excluded driver drives your vehicle, you may have no insurance coverage.

TELEMATICS

Telematics is ~~in-car tracking~~~~the use of~~ technology ~~that insurance companies use to send and receive information about~~ ~~monitor~~ your car and your driving behaviors ~~and habits~~. Many insurance companies use telematics to learn about ~~your driving behaviors, such as~~ how fast you drive, your braking behaviors, and the distance you drive.

Telematics can work through a mobile app or a Bluetooth device that communicates with your car's ~~computer~~. The ~~insurer~~ ~~insurance company~~ may use your driving behaviors and habits to ~~determine~~ ~~decide~~ how much ~~to charge you, you pay for insurance~~. Telematics ~~can also~~ ~~also may~~ work directly with your car to record how it performs and how it's maintained.

USAGE-BASED PREMIUMS

Some insurance companies may use information ~~from telematics~~ about how you drive or how much you drive to ~~determine your premium~~ ~~decide how much you'll pay~~. Pay as You Drive and Pay-per-Mile ~~policies~~ are two examples of using telematics to determine premium.

Pay ~~a~~As You Drive. Pay ~~a~~As You Drive uses ~~current~~ information from telematics about your driving habits to determine what you'll pay ~~each month~~. Telematics can track ~~habits such as~~ braking and speeding, how often you drive, the time of day or night you drive, where you drive, and whether you use a cell phone while driving. You may be able to log onto the insurance company's website to see how your driving habits affect how much you pay.

Insurance companies may give drivers a ~~small~~ discount ~~just for agreeing to~~ ~~choosing~~ ~~participate in~~ a Pay ~~a~~As You Drive ~~program~~ ~~policy~~. ~~Ask y~~ ~~our~~ ~~insurance~~ ~~agent~~ or ~~insurance~~ ~~company~~ ~~representative~~ ~~can give you~~ ~~for~~ more information.

Pay-per-Mile. ~~Typically,~~ ~~i~~ insurance companies ~~typically~~ base what you pay for insurance on an estimate of how much you drive. ~~In some states,~~ ~~S~~ome insurance companies charge a base rate and then add a "per ~~_~~mile" fee to determine your premium.

Insurance companies use a device installed in your car to track the number of miles you drive. If you don't drive often, work from home, use mass transit, or attend college, this type of policy could save you money. Some companies ~~don't require~~ ~~let you have this type of policy without~~ a tracking device but ~~will ask for a picture~~ ~~require you to send a photo~~ of your odometer each month.

CREDIT-BASED INSURANCE SCORE

Insurance companies may consider information about your credit when rating your policy. ~~These companies~~ **They** use credit-based insurance scores ~~which, like all credit-based scores, predict an outcome.~~ Credit-based insurance scores predict the likelihood **that you'll file of filing** a claim, **and** the amount of ~~a claim, or the likelihood that you'll a policyholder will stay with an insurer or shop around.~~ **Some states restrict or even ban the use of credit-based insurance scoring.**

Commented [A10]: Some edits here are to make it parallel the same section for homeowners

Credit-based insurance scores ~~like other credit scores,~~ are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some ~~insurer~~ **insurance companies** combine credit information with ~~traditional~~ **other** insurance information, ~~like insurance history,~~ to create hybrid credit-based insurance scores. In either case, **you'll pay less for insurance if you have a higher better score** ~~indicates you'll likely pay less for insurance.~~

Commented [A11]: Credit scoring models differ. For some, a lower score is better. For others, a higher score is better. The key is that your premium will be lower the better your credit based insurance score is.

~~Some states restrict or even prohibit ban the use of credit based insurance scoring. Where it's allowed, some companies may use a credit based insurance score to decide how much to charge you, as a factor when calculating what you'll pay for insurance. However, E~~ each insurance company ~~may use~~ **uses** its own method to determine your score.

Before you apply for insurance, ~~it's a good idea to~~ get a copy of your credit report and make sure the information ~~in it~~ is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries ~~cause may mean a lower credit based insurance scores.~~

It's important to talk to your agent or insurance company if you've gone through a life event that might affect your credit, such as divorce, death of a family member, job loss, military deployment, or serious illness.

If you have a "freeze" on your credit to help prevent identity theft, an ~~insurer~~ **insurance company** won't be able to ~~access~~ **see** your credit report. You can temporarily "unfreeze" your credit when you apply **for insurance**. If you don't unfreeze your credit, you may pay more for ~~your~~ insurance.

VEHICLE-SPECIFIC FACTORS

The type of vehicle you drive ~~directly~~ affects the cost of your auto insurance. You'll pay more **for to insure** cars that cost more to repair or replace **or that are often stolen**. For example, you'll pay more to insure higher-value cars **and** newer cars, ~~and cars that often are stolen~~. Some examples ~~might be are~~ large SUVs or trucks, high-performance sports cars, ~~and or~~ vehicles with special features, such as all-wheel drive transmissions and hybrid engines.

AUTO INSURANCE DISCOUNTS

You may pay less for car insurance if you qualify for a discount. ~~To make sure you get the discounts you qualify for, be sure to A~~ ask your agent what discounts the insurance company offers and how much you could save. When you compare the cost of insurance between different companies, compare the total cost after any discounts.

Here are some important things to consider:

- Discounts ~~may~~ vary depending on the insurance company and the state where you live;
- Ask about discounts at every policy renewal; and
- If you get quotes from different insurance companies, ~~be sure to~~ ~~and~~ ask about discounts, ~~you might~~ ~~find~~ ~~get~~ ~~a lower premium for the coverage you want.~~

GENERAL DISCOUNTS

Most insurance companies offer ~~various~~different types of discounts. Insurance companies ~~might~~may offer discounts if you use automated payments, ~~or~~ pay your annual premium in one payment~~full, or sign up for electronic billing.~~ ~~If you agree to receive communications electronically instead of mailed paper documents, some companies also offer a discount.~~

~~It's important to t~~Ask ~~alk to~~ your agent or insurance company about discounts you can get. ~~may be eligible for.~~

CONTINUOUS COVERAGE

~~Insured~~Insurance ~~s~~companies may offer discounts if you keep you~~a~~ car continually insured and haven't had a gap in coverage.

GROUP MEMBERSHIPS

Some insurance companies may offer a discount if you're a member of an organization, such as an alumni or professional association, a union, or other organization.

LOYALTY

Some insurance companies may offer discounts for:

- Renewing your policy for a certain~~set~~ number of years; or
- Children who use the same company their parents use after they move out. ~~insure with the company their parents use even after they no longer live with their parents.~~

MULTIPLE VEHICLES

Most insurance companies offer a discount if you insure more than one car with them.

MULTIPLE POLICIES

Insurance companies may offer discounts if you have your auto and homeowners insurance with the same insurance company. This often is called bundling or home/auto packages.

DRIVER-SPECIFIC DISCOUNTS

Insurance companies may look at information about each driver on the policy when they choose which discounts to give you. ~~the discounts to offer a policyholder.~~

CLAIM FREE

if you haven't filed any claims, ~~insurance~~ C~~ompanies~~ may offer a discount ~~if you haven't filed any claims.~~

DEFENSIVE DRIVER/DRIVER'S EDUCATION

Many insurance companies offer discounts if you've completed a defensive driving or driver's education course. Discounts for driver education courses are targeted primarily at younger and older drivers.

GOOD STUDENT

Some insurance companies offer discounts to students who get/maintain good grades.

MILEAGE

Driving fewer miles reduces the chance you'll be in an accident. Many ~~insure/insurance~~ s/companies know this and offer discounts if you don't drive much, for low mileage drivers. Some companies ~~also may~~ offer discounts to drivers who participate in/use carpools.

MILITARY

Some insurance companies offer a discount to members of the military (and often their family members). They might also have a discount if you keep your car on base while you're deployed. ~~Other discounts may be available during deployment if the insured vehicle is kept on the military base.~~

NON-SMOKER/NON-DRINKER

Because smoking and drinking can increase the ~~risk of an~~ chances that you'll be in an accident, some insurance companies offer ~~a~~ non-smoker and/ non-drinker discounts.

SEAT BELT USE

Using your seat belt may get/qualify you ~~for~~ a discount.

VEHICLE DISCOUNTS

SAFETY DEVICES.

Auto safety devices can reduce ~~insurers' how much you'll pay because they help~~ claims payments to ~~policyholders as they can~~ prevent accidents, ~~or serious~~ vehicle damage, and/or ~~physical~~ injuries. This equipment includes:

- Adaptive Cruise Control
- Adaptive Headlights
- Air Bags
- Anti-Lock Brakes
- Automatic Braking
- Automatic Seat Belts
- Blind Spot Warning
- Daytime Running Lights
- Electronic Stability Control
- Forward Collision Warning
- Lane Departure Warning
- Passive Restraint

ANTI-THEFT DISCOUNT

Devices ~~or systems~~ that reduce theft or vandalism can also lower how much you'll pay insurers' claims costs. Many insurance companies offer discounts for anti-theft devices. Some examples include:

- Active Disabling Device
- Audible Alarm
- Vehicle Recovery
- Vehicle Identification Number Etching

There are a lot of things to consider if you're trying to lower your costs for auto insurance.

[Reviewing A Shopping Tool for Automobile Insurance](#)¹ ~~also can give you~~ has some great ideas about questions to ask your agent.

¹ https://www.naic.org/documents/committees_c_trans_read_wg_related_shopping_tool_auto_spreads.pdf

Consumer Education Information Regarding Homeowners Insurance Rates

DRAFT

HOW DO ~~INSURERS~~ **INSURANCE COMPANIES** DETERMINE YOUR HOMEOWNERS

Insurance companies use information about you, your home, and your insurance coverage to decide whether to insure your home and how much you'll pay for homeowners insurance. They'll get this information from you and from organizations. All ~~of~~ this information is linked to "factors" that affect how much you'll pay for insurance, or how the ~~insurer~~ **insurance company** "rates" your ~~as an~~ insurance risk. Many of these factors are described below. Different insurance companies ~~may~~ determine their risk of insuring you in different ways and charge different amounts for the same or similar coverage.

There may be discounts that reduce your premium.

FACTORS RELATING TO YOU

CLAIMS HISTORY

If you've filed homeowners insurance claims, you may pay more for insurance. Your history of filing claims ~~on all of the homes you've lived in~~ will affect how much you pay for homeowners insurance, even if ~~these~~ claim payments were low. ~~Insurer~~ **Insurance companies use** ~~access~~ the Comprehensive Loss and Underwriting Exchange (CLUE) database ~~to see~~ ~~which reports~~ the number and types of claims you've filed in the last five to seven years. Different insurance companies may treat claims information differently, so it's always a good idea to shop around.

Commented [A12]: Consider replacing with third-party data or saying "third-party data, including" CLUE. There may be other sources.

CREDIT-BASED INSURANCE SCORE

Insurance companies may use information about your credit history. They use credit-based insurance scores ~~which, like all credit-based scores, predict an outcome~~. Credit-based insurance scores predict ~~the amount of a claim, the likelihood that you'll file of filing a claim and the amount of claims~~ ~~or the likelihood that you'll a policyholder will stay with an insurer instead of shopping around~~. ~~Some states restrict or even ban the use of credit-based insurance scoring.~~

Commented [A13]: This section should be the same for auto and home.

Credit-based insurance scores, ~~like other credit scores~~, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some ~~insurer~~ **insurance companies** combine credit information with ~~traditional~~ ~~other~~ insurance information, such as claims history, to create hybrid credit-based insurance scores. In either case, ~~you'll pay less for insurance if you have a higher~~ ~~better~~ ~~score indicates you'll likely pay less for insurance.~~

~~Some states restrict or even ban the use of credit-based insurance scoring. Where it's allowed, some companies may use a credit-based insurance score to decide who much they'll charge you as a factor when they calculate what you'll pay for insurance. However, E~~ each insurance company ~~may~~ **uses** its own method to determine your score.

Before you apply for insurance, ~~it's a good idea to~~ get a copy of your credit report and make sure the information ~~in it~~ is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries ~~cause lower scores~~ ~~may mean a lower credit-based insurance score~~. It's important to talk to your agent or insurance company if you've ~~gone through a life event~~ ~~had extraordinary life circumstances~~ that might affect your credit, such as divorce, death of a family member, job loss, military deployment, or serious illness.

If you have a “freeze” on your credit to help prevent identity theft, an ~~insurer~~ insurance company can’t ~~access~~ see your credit report and you may pay more for your insurance. You can temporarily “unfreeze” your credit when you apply for insurance. If you don’t unfreeze your credit, you may pay more for insurance.

PETS

~~Insurer~~ Insurance companies consider some ~~pets or~~ breeds of pets as aggressive. An aggressive pet increases the risk you may be legally responsible if someone makes a claim against you for a pet-related injury. Each insurance company has its own list of pets and breeds that it ~~will or~~ won’t cover, or that ~~could~~ may increase your premium. ~~It’s important to~~ Check with your agent or company if you own a pet.

SMOKING

Smoking may increase the risk of a fire in your home. ~~An~~ insurance companies usually charge more if someone in your house smokes. ~~y most likely will charge a higher premium if a household member smokes.~~

FACTORS RELATING TO YOUR POLICY

COVERAGE HISTORY

Insurance companies look at your insurance history to ~~see~~ learn if you’ve had continuous coverage on your home. If you ~~canceled a policy before you bought a new one (called a lapse)~~ let a policy lapse, you may pay a higher premium on a new ~~homeowners insurance~~ policy. You could have had ~~There’s~~ a lapse in coverage if:

- you ~~didn’t~~ don’t pay your ~~insurance~~ bill on or before the ~~due~~ date ~~it’s due~~, or within the grace period ~~if there is one~~; or
- you let your current policy end before you ~~buy~~ bought a new policy.

If you don’t pay your bill on time, your insurance company

~~could~~ may:

- cancel your policy and not cover a loss to your home; or
- refuse to continue your policy, which may leave you ~~uninsured~~ without homeowners insurance.

~~Also,~~ if you let your insurance coverage lapse and you have a mortgage, your lender may ~~buy you a policy and charge you for it~~ place you in insurance coverage at your expense. Your premium for a lender-placed policy ~~likely~~ will probably be higher and might not provide as much coverage for you. ~~and the policy may not provide the same coverage and protections as a policy you buy yourself.~~

THE HOMEOWNERS INSURANCE COVERAGE YOU CHOOSE

Your insurance agent or company will ~~usually~~ helps you decide what types and amounts of coverage you need ~~for your homeowners policy~~. Your policy will cover your home and ~~possessions~~ personal belongings. It also may include *liability* coverage, which can pay if someone gets hurt ~~protects you against a financial loss if you’re legally responsible for accidents or injuries~~

~~that happen~~ on your property.

Your agent might suggest that you buy enough coverage to rebuild your house and replace your personal belongings. ~~may recommend that the coverage for your dwelling should equal what it costs to rebuild your home and replace your covered possessions. If so,~~ that's called replacement cost coverage. Another type of coverage is based on actual cash value.

- **Actual cash value coverage** pays the fair market value of personal property at the time of the loss. This value usually is the cost to repair or replace the property, less *depreciation*. (Depreciation is a deduction for the age of the property and wear and tear.) Actual cash value coverage pays you for your loss, but often doesn't pay enough to fully replace or repair the damage to your property.

Some policies provide only actual cash value coverage for roofs over a certain age or that are in poor condition. Be sure to find out what your policy covers.

- **Replacement cost coverage** pays the cost to repair or replace your damaged or destroyed ~~personal~~ property ~~with materials or property of like kind and quality~~, without a deduction for depreciation. Most ~~homeowners~~ policies cover ~~your house~~ ~~the dwelling~~ for replacement cost. ~~You'll need to save receipts for everything you fix or replace. If you don't, But, if you don't provide receipts for the cost to repair or replace your home or personal property, your~~ the insurance company ~~might~~ ~~may~~ only pay ~~you the~~ actual cash value. The cost of building supplies might be ~~higher~~ ~~more~~ now than when you ~~first~~ bought your policy. Review your policy with your agent at renewal to be sure you have the best coverage you can afford.

Replacement cost and *market value* aren't ~~not~~ the same. The market value of a home includes the price of your land and depends on the real estate market. For more information about these and other coverages: see the following link (insert shopping guide link).

THE DEDUCTIBLE YOU CHOOSE

A deductible is the money you pay out-of-pocket on a claim before the policy pays ~~the loss~~. The deductible applies to coverage for your home and personal property. You pay a deductible for each claim.

Higher ~~policy~~ deductibles mean lower policy premiums. The premium for a policy with a \$1,000 deductible will be lower than the premium for the same policy with a \$500 deductible. In some ~~areas~~ ~~locations~~, there are also catastrophe deductibles, which are either a ~~fixed~~ dollar amount or a percentage of the value of the property.

A higher deductible can be a good way to save money on your ~~homeowners insurance~~ premium. ~~However, But~~ be sure you can afford the deductible if you have a loss. ~~You also may submit fewer claims if you have a higher deductible.~~

THE RISKS YOUR POLICY COVERS

Peril is an insurance term for a specific risk or reason for a loss.

- An **all perils policy** insures your property against all perils, except those the policy ~~specifically~~ names as not covered. ~~Common perils excluded are~~ Flood and earthquake ~~are often not covered.~~
- A **named perils policy** covers your home and personal property against a specific list of reasons for a loss. Your policy will list the types of losses that it covers. Common examples of covered losses include fire, theft, and vandalism. Named perils policies offer less coverage than all perils policies and are less expensive.

COVERAGE YOU ADD

Commented [A14]: Consider putting replacement cost before ACV.

To cover the full value of your possessions, you may need to add coverage to your homeowners policy. These additions may be called endorsements or riders and will increase your premium.

You may want to add coverage if you have:

- Antiques
- Computer Equipment
- Fine Art
- Firearms
- Jewelry

YOUR HOME'S CHARACTERISTICS

YOUR HOME'S AGE AND CONDITION

If you have an older home, ~~your policy might be more expensive. it may cost more to insure.~~ Older homes ~~might~~ may have outdated electrical and plumbing systems, which ~~might~~ may increase the risk of a loss. Older "historic" homes may require ~~building~~ materials that are hard to find ~~to make repairs or rebuild.~~ If you have an older home, you may need a special policy and ~~likely~~ will ~~probably~~ pay a higher premium.

Improvements to your home, such as replacing your roof; upgrading electrical, heating, or plumbing; or installing a security system, may lower your premium. You should tell your insurance agent or company about any upgrades you make to your home.

THE SIZE OF YOUR HOME

The size of your home affects what you pay for insurance. Larger homes normally cost more to insure because they cost more to rebuild or repair. ~~Also, Y~~ your agent or company ~~might~~ may ask about your basement and what percent is finished.

YOUR HOME'S CONSTRUCTION AND EXTERIOR FEATURES

The material your home is made of affects how your home holds up against a natural disaster and ~~hazards~~ ~~perils~~, like wind and fire. ~~For example, H~~ homes made with concrete or solid brick exteriors are less likely to catch fire and are more stable during a storm.

Your home's roof is its main protection against hail, wind, fire, and other ~~perils~~ ~~hazards~~. The age, condition, material, and shape of your roof are all factors that determine your premium. Homes with ~~new or~~ newer roofs made of materials that are stable and fire-resistant usually cost less to insure.

Installing ~~new highly rated~~ fire-resistant siding made of metal, fiber-cement shingles and clapboards, or masonry can help you pay less for your homeowners insurance, especially in fire-prone areas.

CUSTOM FEATURES OF THE HOME

If you have a wood-burning or pellet stove, you may pay more for insurance. If ~~you can prove to your insurance company that~~ a licensed contractor installed your stove and it meets code requirements, your premium may be lower.

If your home is made from custom, designer, or luxury grade materials, such as high-end marble, luxury grade cabinets, and expensive lighting, or requires professional craftsmanship to rebuild, you may pay more for your insurance.

WHERE YOU LIVE

Your home's location affects what you pay for homeowners insurance. If your area gets a lot of there often are natural disasters such as hurricanes, tornadoes, or wildfires where you live, your insurance will cost more.

Insurance companies consider how far you live from a fire station when they calculate your premium. Living in a city or suburban area, by a body of water, or in an area with a lot of crime high rates of property crime also will increase your premium.

ATTRACTIVE NUISANCES (FOR EXAMPLE, A SWIMMING POOL) ON YOUR PROPERTY

An *attractive nuisance* is a dangerous condition that may attract children to a homeowner's property and pose a safety risk. Examples of attractive nuisances are a swimming pool, a trampoline, and a playground. If you have an attractive nuisance on your property, you might want should think about buying more liability insurance. You may be liable if someone who doesn't live with you is hurt using an attractive nuisance on your property (even if they don't have your permission and aren't using the item appropriately correctly).

Your insurer insurance company may require you to install an enclosure or fence around an attractive nuisance. Your policy might not also may not cover items such as like diving boards or slides. Having an attractive nuisance on your property likely will increase your premium.

HOMEOWNERS INSURANCE DISCOUNTS

You may pay less for homeowners insurance if you qualify for a discount. To make sure you get the discounts you qualify for, Ask your agent or the insurance company what discounts the company offers and how much you could save. When you compare the costs of insurance between different insurance policies companies, compare the total cost after any discounts.

Here are some important things to consider know:

- Discounts may vary depending on the insurance company and the state where you live. Some insurance companies may not offer discounts at all.
- Ask about discounts at every year when you renew your policy renewal.
- If you get quotes from different insurance companies, be sure to and ask about discounts. You might may find you'll qualify for pay less for your policy, the coverage you want.

GENERAL DISCOUNTS

Most insurance companies offer various types of discounts. The D discounts may be are tied to how you pay for your policy, your personal characteristics, and for your home.

ADVANCE PURCHASE

You ~~might~~ may get an Advance Purchase Discount if you ~~buy a policy~~ shop for your homeowners insurance policy before the renewal date. ~~Some~~ insurance companies ~~might~~ may give you a discount if you give them seven to ~~10~~ ten days' notice before you switch ~~your homeowners insurance~~ to their company.

PURCHASING AND PAYMENT

Some insurance companies offer discounts if you pay for the full year of insurance in one payment advance, sign up for electronic billing payment, or are a new customer. ~~If you agree to electronic communication instead of paper documents,~~

MULTIPLE POLICIES

Insurance companies ~~might~~ may offer a discounts if you have your auto and homeowners policies insurance with the same insurance company. This is known as bundling ~~or home/auto packages.~~

DISCOUNTS SPECIFIC TO YOU AND YOUR POLICY

~~Insurance companies may look at information about you about each homeowner on the policy to decide which discounts to offer.~~

Discounts vary by insurance company. Some are not available in all states.

CLAIM FREE

Insurance companies ~~might~~ may offer a discount if you haven't filed any claims or ~~if you~~ haven't filed a claim for a certain number of years. ~~Insurers have different guidelines, so~~ Ask your agent ~~or~~ insurance company if they offer this discount.

PRIOR INSURANCE

The prior insurance ~~This discount is for~~ may be available to new policyholders. It's based on the number of years in a row that you had a policy with you were continuously insured by your previous insurance company.

BEING MARRIED OR WIDOWED

Your insurance company may offer a discount if you're married or widowed. ~~If either applies to you,~~ Ask your agent or insurance company about this discount.

RETIREMENT DISCOUNT

Some insurance companies offer a discount to retired people. They tend to spend more time at home and will know about ~~will be alerted quickly to emergencies such as~~ fires, water leaks, or burglaries at their homes.

NON-SMOKER DISCOUNT

Smoking ~~in the~~ at home may increase your fire risk, ~~the risk of fire~~ so some insurance companies offer a non-smoker discount.

GROUP MEMBERSHIPS

MILITARY

Some insurance companies offer a discount to active, retired, reserve, and honorably discharged members of the military (and often their family members). ~~This discount isn't available in all states.~~ Ask your agent or insurance company if they offer this discount ~~is available to you~~.

ASSOCIATIONS

Some insurance companies offer a discount if you're a member of an organization, such as an alumni or professional association or a union.

OCCUPATION

Some insurance companies offer a discount to people with who hold certain jobs, such as first responders, teachers, and nurses.

LOYALTY (5-10 YEARS OR MORE)

Some insurance companies offer discounts if you:

- Renew your policy for a specified certain number of years.
- No longer live with your parents, but keep the buy a policy from the same insurance company insurance company they had.

REPLACEMENT COST

If you insure your home for 100% of the cost to replace it, you might be eligible for a discount.

DISCOUNTS RELATING TO YOUR HOME

AGE OF HOME

If your home is less than 10 years old, insurance companies may offer you a discount.

CONSTRUCTION TYPE

If your home is built from materials such as brick, stucco, metal, or concrete, you might may be eligible for a discount.

NEW OR RENOVATED HOME DISCOUNT

If you bought a new home or a renovated home with upgraded electrical or plumbing, you may be eligible for a discount.

ROOF AGE DISCOUNT

Some insurance companies give a discount based on the age of your roof. If your home has a newer roof, or an impact-resistant roof, you might get may qualify for a discount.

Commented [A15]: Age of home, age of roof, and construction are more like rating factors. Rating factors for construction type may vary depending on the state and prevalent perils in those states.

ACCREDITED BUILDER DISCOUNT

If your home's builder is on the insurance company's "accredited builder" list, you might be eligible for a discount. This discount ~~will probably only last for~~ may last for only five years after your home is built.

HOMEOWNERS ASSOCIATION (HOA)

Some insurance companies offer a discount if you live in a neighborhood ~~that has~~ with an HOA.

LIVING IN A GATED COMMUNITY

Living in a gated community (with or without security patrols) offers an extra level of security and might make you eligible for a discount.

FIRE AND SAFETY PROTECTION

Your insurance company may offer a discount if your home has qualifying fire or theft protection. Some of these include:

- Smoke detectors.
- Sprinkler system.
- Fire alarm.
- Security alarm.
- Backup generator.
- Smart technology that ~~tells you about~~ alerts a homeowner about a fire~~s~~, water leak~~s~~, or burglary~~s~~.
- Deadbolt locks.

WATER LEAK DETECTION

~~You might get a discount if you have a water leak detector or prevention system. Having a system in place to prevent water leaks may qualify you for a discount.~~ Discounts depend on how advanced the detection system is, so ask your agent or insurance company.

MITIGATION DISCOUNTS

If you live in an area that ~~gets 's likely to have~~ severe weather or wildfires, your insurance company ~~might~~ may give you a discount if you ~~have~~ take measures to protect your home. For example, things like storm shutters, ~~a~~ reinforced doors, ~~or~~ shatterproof glass, or other ~~protections. reduce damage from high winds.~~

If you ~~live in an area that gets~~ r home is in an area at risk for wildfires, you may ~~receive~~ get a discount if you take steps to mitigate damage ~~from wildfires.~~ This includes using concrete or other fire-resistant materials for your home's structure and creating an area around your home that reduces fire risks.

Best Practices for Insurance Rate Disclosures

DRAFT

Example Rate Filing Checklist

DRAFT

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.

Example Disclosure Notice for Rate Increase with Capping

DRAFT

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 mail 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.

Auto Insurance Premium Increase Notice

Your auto insurance premium is increasing.

Your current auto 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 premium would be increased to \$2,121 the next time you renew your policy, which is scheduled for [date].

However, the next time you renew your policy your premium will increase by \$88 to \$1,257.

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

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 number of accidents or violations), your premium could increase or decrease.

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.

DRAFT

Example Disclosure Notice for Rate Increase without Capping

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 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.

Examples of Reasons for Increases

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Examples of reasons a premium might increase

[] means something for the company to fill in.

- Some are HO specific; some are PPA specific, some work for both
- We increased the amount of [] coverage as you requested
- We increased the amount of building coverage to reflect increased building costs
- We increased rates in your geographic area
- We increased base [] rates for everyone
- Your insurance credit score has gotten worse
-  added additional coverage for [] to your policy
- You added a new vehicle to your policy
- We started using a new rating factor []
- We stopped using a rating factor []
- You lost a discount [] you had on your last policy
- You added an additional driver to your policy
- You made [] claims in the past [] years
- You were in [] accidents
- You got [] driving tickets and violations
- You let your insurance lapse 
- Your child is now driving age
- Your marital status has changed
- Your address has changed
- Your occupation has changed
- Your criminal history has changed

Consumer Education Information Regarding Insurance Rates - Auto

AUTO INSURANCE UNDERWRITING AND RATING

The way auto insurers determine how much you pay for insurance is constantly changing. The process starts with the information you provided on the application. The two parts of the process are *underwriting* and *rating*.

HOW DO INSURERS UNDERWRITE?

The first part of the process is underwriting. Insurance companies underwrite to assess the risk of insuring an applicant and to group the applicant with others who are similar risks. When underwriting, the company also decides whether to insure the applicant.

To underwrite an auto insurance policy, insurers want information about certain factors that might affect your potential to file a claim. Some of these factors, such as age and gender, are beyond your control. You have control over other factors an insurer considers, including where your car is and how you use it and the make and model of car you're insuring.

An underwriter uses information from your application as well as from other sources.

Insurers depend on the information in your policy application. The questions you're asked when you apply for insurance help the company assess the likelihood you'll file a claim.

Insurance companies also get information from other sources. For example, some auto insurers get information about your credit history from credit bureaus. They also will get information about your driving record from third parties, such as the Division of Motor Vehicles, and your history of filing auto insurance claims from insurance claims databases.

AUTO INSURANCE RATING

After underwriting, the next step is rating the risk. When it rates a risk, the insurance company applies its rating factors to price the policy. The rating factors are spelled out in the company's rating system. Companies have to file their rating systems with their state insurance department and follow that plan. The company sets a rate for each group of applicants who are similar risks.

A rating factor is a specific characteristic of a potential policyholder used to price auto insurance premiums. The less risky your rating factors are, the less you will pay for auto insurance.

For more information about the rating factors many insurers use, see [Factors Used to Rate Auto Insurance](#).

HOW DO INSURERS DETERMINE AUTO INSURANCE PREMIUMS?

Insurance companies use information about you, your vehicle, and your insurance coverage to decide whether to insure you and how much you'll pay for auto insurance. They'll ask you for some of this information. Sometimes insurance companies also get information about you from other organizations. All of this information is linked to "factors" or considerations that affect how much you'll pay for insurance, or how the insurer "rates" you as an insurance risk.

Some factors relate to the driver(s) and some to the type of vehicle you want to insure. Others are based on the amount and type(s) of coverage you buy. There also are discounts that reduce the premium.

Different insurance companies use different methods to determine their risk of insuring you. They may charge different amounts for the same or similar coverage.

Also, some states have different requirements that affect which factors insurers can use. States also have different requirements about how much insurance you have to buy, which may affect your cost.

GENERAL INFORMATION

Age, years of driving experience, gender, and marital status are common factors insurers use to determine how much you pay for insurance. The insurance company gets information about your driving record and accident history from a third party (such as the Division of Motor Vehicles). In some states, insurers can't consider certain factors, such as your gender or age.

What you pay for insurance may be based not just on you but also on all insured drivers in your household, including those not related by blood, such as roommates.

HOW YOU USE THE VEHICLE

Your insurance premium may vary based on whether you use your vehicle only for pleasure or drive it back and forth to work. Driving for pleasure means that you drive only occasionally. If you drive only for pleasure, you may pay less for your insurance.

Most personal auto insurance policies won't cover accidents if you're using your car for business purposes. It's important to discuss how you use your car when you talk with an insurance agent or company representative.

GENDER AND AGE

Data show that males have more accidents than females and younger drivers have more accidents than older and more experienced drivers. That's why young men traditionally have paid more for insurance than young women. Inexperienced drivers may pay more regardless of age. Some states don't let insurance companies use gender as a factor when they rate insurance.

Insurance companies look at accident statistics for all age groups. What you pay for insurance may change as you get older.

Some states require insurance companies to give a discount to any primary driver who is older than age 55 and who voluntarily completes a motor vehicle accident prevention or defensive driving course approved by the Division of Motor Vehicles.

LOCATION

It's important to tell your insurance company where you keep (or "garage") your vehicle. You may pay more or less for insurance based on the zip code or territory where you live or keep your car.

Some things your insurance company might consider about where you live or keep your car are accidents, thefts, and weather in the area.

SOCIAL FACTORS


Some states let insurance companies consider your occupation and education to decide how much you pay for insurance. That's why an insurance company may ask what you do for a living and how much school you've completed.

In some states, married drivers may pay less for insurance. Also, homeowners may pay less than renters.


COVERAGE HISTORY

When you apply for insurance, you may be asked about your previous insurance coverage. Most insurance companies charge you more if you've had gaps in coverage.

You may need to supply the name of your previous insurance company(ies), the dates you were insured, and who insured you in the past. Insurers want to know if a company ever cancelled your insurance policy for non-payment. Your new insurance company also may ask about your traffic violations and claims history.

Some states limit  use of prior insurance coverage as a factor when rating a policy.

DRIVING HABITS AND HISTORY

Insurance companies look at your driving record and/or habits and those of others  ered by your insurance policy. Some companies also look at the records of others living in your home. Typically, your driving record for the past three to five years may impact what you pay for insurance. Drivers with a poor driving record have a greater chance of being involved in an accident and may pay more for their insurance.

Drive safely. Nothing affects your auto insurance premium more than how you drive. Insurers consider drivers with previous violations or at-fault accidents to be a higher risk and may charge them more for insurance.

Although the company will get your driving record from a third party when you apply for a policy, it's important to be honest and truthful when you give the insurer information. Being honest will mean it's more likely that your quote will match what you'll actually pay for your insurance.

If your driving record has improved over the last few years, it may be worth shopping around to see if you would pay less with another insurance company.

VEHICLE OWNERS AND OPERATORS IN YOUR HOUSEHOLD

Some states may let you exclude a driver from your insurance policy. Others will not. An excluded driver is a driver that you ask your insurance company not to cover usually because having them on your policy will cause you to pay higher premiums. Talk with your agent or insurance company to learn if this is an option for you. Be aware that if an excluded driver drives your vehicle, you may have no insurance coverage.

TELEMATICS

Telematics is the use of technology to send and receive information about your car and your driving behaviors and habits. Many insurance companies use telematics to learn about your driving behaviors, such as how fast you drive, your braking behaviors, and the distance you drive. Telematics can work through a mobile app or a Bluetooth device that communicates with your car's computer. The insurer may use your driving behaviors and habits to determine how much you pay for insurance. Telematics also may work directly with your car to record how it performs and how it's maintained.

USAGE-BASED PREMIUMS

Some insurance companies may use information from telematics about how you drive or how much you drive to determine your premium. Pay as You Drive and Pay-per-Mile are two examples of using telematics to determine premium.

Pay As You Drive. Pay As You Drive uses current information from telematics about your driving habits to determine what you'll pay each month. Telematics can track habits such as braking and speeding, how often you drive, the time of day or night you drive, where you drive, and whether you use a cell phone while driving. You may be able to log on to the insurance company's website to see how your driving habits affect how much you pay.

Insurance companies may give drivers a small discount just for agreeing to participate in a Pay As You Drive program. Your insurance agent or company representative can give you more information.

Pay-per-Mile. Typically, insurance companies base what you pay for insurance on an estimate of how much you drive. In some states, some insurance companies charge a base rate and then add a "per-mile" fee to determine your premium. Insurance companies use a device installed in your car to track the number of miles you drive. If you don't drive often, work from home, use mass transit, or attend college, this type of policy could save you money. Some companies let you have this type of policy without a tracking device but require you to send a photo of your odometer each month.

CREDIT-BASED INSURANCE SCORE

Insurance companies may consider information about your credit when rating your policy. Those companies use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the likelihood of filing a claim, the amount of a claim, or the likelihood a policyholder will stay with an insurer or shop around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurers combine credit information with traditional insurance information, like insurance history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even prohibit the use of credit-based insurance scoring. Where it's allowed, some companies may use a credit-based insurance score as a factor when calculating what you'll pay for insurance. However, each insurance company may use its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries may mean a lower credit-based insurance score.

If you have a "freeze" on your credit to help prevent identity theft, an insurer won't be able to access your credit report. You can temporarily "unfreeze" your credit when you apply. If you don't unfreeze your credit, you may pay more for your insurance.

VEHICLE-SPECIFIC FACTORS

The type of vehicle you drive directly affects the cost of your auto insurance. You'll pay more to insure cars that cost more to repair or replace. For example, you'll pay more to insure higher-value cars, newer cars, and cars that often are stolen. Some examples might be a large SUV or truck, high-performance sports cars, or vehicles with special features such as all-wheel drive transmissions and hybrid engines.

AUTO INSURANCE DISCOUNTS

You may pay less for car insurance if you qualify for a discount. To make sure you get the discounts you qualify for, be sure to ask your agent what discounts the insurance company offers and how much you could save. When you compare the cost of insurance between different companies, compare the total cost after any discounts.

Here are some important things to consider:

- Discounts may vary depending on the insurance company and the state where you live;
- Ask about discounts at every policy renewal; and
- If you get quotes from different insurance companies and ask about discounts, you may find a lower premium for the coverage you want.

GENERAL DISCOUNTS

Most insurance companies offer various types of discounts. Insurance companies may offer discounts if you use automated payments or pay your annual premium in full. If you agree to receive communications electronically instead of mailed paper documents, some companies also offer a discount.

It's important to talk to your agent or insurance company about discounts you may be eligible for.

CONTINUOUS COVERAGE


Insurers may offer discounts if you keep a car continually insured and haven't had a gap in coverage.

GROUP MEMBERSHIPS

Some insurance companies may offer a discount if you're a member of an organization, such as an alumni or professional association, a union, or other organization.

LOYALTY

Some insurance companies may offer discounts for:

- Renewing your policy for a set number of years; 
- Children who insure with the company their parents use even after they no longer live with their parents.

MULTIPLE VEHICLES

Most insurance companies offer a discount if you insure more than one car with them.

MULTIPLE POLICIES

Insurance companies may offer discounts if you have your auto and homeowners insurance with the same insurance company. This often is called bundling or home/auto packages.

DRIVER-SPECIFIC DISCOUNTS

Insurance companies may look at information about each driver on the policy when they choose the discounts to offer a policyholder.

CLAIM FREE

Companies may offer a discount if you haven't filed any claims.

DEFENSIVE DRIVER/DRIVER'S EDUCATION

Many companies offer discounts if you've completed a defensive driving or driver's education course. Discounts for driver education courses are targeted primarily at younger and older drivers.

GOOD STUDENT

Some insurance companies offer discounts to students who maintain good grades.

MILEAGE

Driving fewer miles reduces the chance you'll be in an accident. Many insurers know this and offer discounts for low mileage drivers. Some companies also may offer discounts to drivers who participate in carpools.

MILITARY

Some insurance companies offer a discount to members of the military (and often their family members). Other discounts may be available during deployment if the insured vehicle is kept on the military base.

NON-SMOKER/NON-DRINKER

Because smoking and drinking can increase the risk of an accident, some insurance companies offer a non-smoker/non-drinker discount.

SEAT BELT USE

Using your seat belt may qualify you for a discount.

VEHICLE DISCOUNTS

SAFETY DEVICES.

Auto safety devices can reduce insurers' claims payments to policyholders as they can prevent accidents or serious vehicle damage or physical injuries. This equipment includes:

- Adaptive Cruise Control
- Adaptive Headlights
- Air Bags
- Anti-Lock Brakes
- Automatic Braking
- Automatic Seat Belts
- Blind Spot Warning
- Daytime Running Lights
- Electronic Stability Control
- Forward Collision Warning
- Lane Departure Warning
- Passive Restraint

ANTI-THEFT DISCOUNT

Devices or systems that reduce theft or vandalism also lower insurers' claims costs. Many insurance companies offer discounts for anti-theft devices. Some examples include:

- Active Disabling Device
- Audible Alarm
- Vehicle Recovery
- Vehicle Identification Number Etching

There are a lot of things to consider if you're trying to lower your costs for auto insurance. Reviewing [A Shopping Tool for Automobile Insurance](#)¹ also can give you some great ideas about questions to ask your agent.

DRAFT

¹ https://www.naic.org/documents/committees_c_trans_read_wg_related_shopping_tool_auto_spreads.pdf

Consumer Education Information Regarding Homeowners Insurance Rates

DRAFT

HOW DO INSURERS DETERMINE YOUR HOMEOWNERS INSURANCE PREMIUM?

Insurance companies use information about you, your home, and your insurance coverage to decide whether to insure you and how much you'll pay for homeowners insurance. They'll get this information from you and from organizations. All of this information is linked to "factors" that affect how much you'll pay for insurance, or how the insurer "rates" you as an insurance risk. Many of these factors are described below. Different insurance companies may determine their risk of insuring you in different ways and charge different amounts for the same or similar coverage.

There may be discounts that reduce your premium.

FACTORS RELATING TO YOU

CLAIMS HISTORY

If you've filed homeowners insurance claims, you may pay more for insurance. Your history of filing claims on all of the homes you've lived in will affect how much you pay for homeowners insurance, even if those claim payments were low. Insurers access the Comprehensive Loss and Underwriting Exchange (CLUE) database, which reports the number and types of claims you've filed in the last five to seven years. Different insurance companies may treat claims information differently, so it's always a good idea to shop around.


CREDIT-BASED INSURANCE SCORE

Insurance companies may use information about your credit history. They use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the amount of a claim, the likelihood of filing a claim, or the likelihood a policyholder will stay with an insurer instead of shopping around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurers combine credit information with traditional insurance information, such as claims history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even ban the use of credit-based insurance scoring. Where it's allowed, some companies may use a credit-based insurance score as a factor when they calculate what you'll pay for insurance. However, each insurance company may use its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries may mean a lower credit-based insurance score. It's important to talk to your agent or insurance company if you've had extraordinary life circumstances that might affect your credit, such as divorce, death of a family member, job loss, military deployment, or serious illness.

If you have a “freeze” on your credit to help prevent identity theft, an insurer can’t access your credit report and you may pay more for your insurance. You can temporarily “unfreeze” your credit when you apply for insurance. 

PETS


Insurers consider some pets or breeds of pets aggressive. An aggressive pet increases the risk you may be legally responsible if someone makes a claim against you for a pet-related injury. Each insurance company has its own list of pets and breeds that it will or won’t cover, or that may increase your premium. It’s important to check with your agent or company if you own a pet.

SMOKING

Smoking may increase the risk of a fire in your home. An insurance company most likely will charge a higher premium if a household member smokes.

FACTORS RELATING TO YOUR POLICY

COVERAGE HISTORY

Insurance companies look at your insurance history to learn if you’ve had continuous coverage on your home.  you let a policy lapse, you may pay a higher premium on a new homeowners insurance policy. There’s a lapse in coverage if:

- you don’t pay your insurance bill on or before the date it’s due, or within the grace period if there is one; or
- you let your current policy end before you buy a new policy.

If you don’t pay your bill on time, your insurance company may:

- cancel your policy and not cover a loss to your home; or
- refuse to continue your policy, which may leave you uninsured.

Also, if you let your insurance coverage lapse and you have a mortgage, your lender may place you in insurance coverage at your expense. Your premium for a lender-placed policy likely will be higher and the policy may not provide the same coverage and protections as a policy you buy yourself.

THE HOMEOWNERS INSURANCE COVERAGE YOU CHOOSE

Your insurance agent or company usually helps you decide what types and amounts of coverage you need for your homeowners policy. Your policy will cover your home and possessions. It also may include *liability* coverage, which protects you against a financial loss if you’re legally responsible for accidents or injuries that happen on your property.

Your agent may recommend that the coverage for your dwelling should equal what it costs to rebuild your home and replace your covered possessions. If so, that’s replacement cost coverage. Another type of coverage is based on actual cash value.

- *Actual cash value* coverage pays the fair market value of personal property at the time of the loss. This value usually is the cost to repair or replace the property, less *depreciation*. (Depreciation is a deduction for the age of the property and wear and tear.) Actual cash value coverage pays you for your loss, but often doesn't pay enough to fully replace or repair the damage to your property.
- *Replacement cost* coverage pays the cost to repair or replace your damaged or destroyed personal property with materials or property of like kind and quality, *without* a deduction for depreciation. Most homeowners policies cover the dwelling for replacement cost. But, if you don't provide receipts for the cost to repair or replace your home or personal property, the insurance company may only pay you the actual cash value. The cost of building supplies might be more now than when you first bought your policy. Review your policy with your agent at renewal to be sure you have the best coverage you can afford.

Replacement cost and *market value* are not the same. The market value of a home includes the price of your land and depends on the real estate market. For more information about these and other coverages: see the following link (insert shopping guide link).

THE DEDUCTIBLE YOU CHOOSE

A deductible is the money you pay out-of-pocket on a claim before the policy pays the loss. The deductible applies to coverage for your home and personal property. You pay a deductible for each claim. Higher policy deductibles mean lower policy premiums. The premium for a policy with a \$1,000 deductible will be lower than the premium for the same policy with a \$500 deductible. In some locations, there are also catastrophe deductibles, which are either a fixed dollar amount or a percentage of the value of the property.

A higher deductible can be a good way to save money on your homeowners insurance premium. However, be sure you can afford the deductible if you have a loss. You also may submit fewer claims if you have a higher deductible.

THE RISKS YOUR POLICY COVERS

Peril is an insurance term for a specific risk or reason for a loss. An *all perils* policy insures your property against all perils, except those the policy specifically names as not covered. Common perils excluded are flood and earthquake.

A *named perils* policy covers your home and personal property against a specific list of reasons for a loss. Your policy will list the types of losses that it covers. Common examples of covered losses include fire, theft, and vandalism. Named perils policies offer less coverage than all perils policies and are less expensive.

COVERAGE YOU ADD

To cover the full value of your possessions, you may need to add coverage to your homeowners policy. These additions may be called endorsements or riders and will increase your premium.

You may want to add coverage if you have:

- Antiques
- Computer Equipment
- Fine Art
- Firearms
- Jewelry

YOUR HOME'S CHARACTERISTICS

YOUR HOME'S AGE AND CONDITION

If you have an older home, it may cost more to insure. Older homes may have outdated electrical and plumbing systems which may increase the risk of a loss. Older "historic" homes may require materials that are hard to find to make repairs or rebuild. If you have an older home, you may need a special policy and likely will pay a higher premium.

Improvements to your home, such as replacing your roof; upgrading electrical, heating, or plumbing; or installing a security system, may lower your premium. You should tell your insurance agent or company about any upgrades you make to your home.

THE SIZE OF YOUR HOME

The size of your home affects what you pay for insurance. Larger homes normally cost more to insure because they cost more to rebuild or repair. Also, your agent or company may ask about your basement and what percent is finished.

YOUR HOME'S CONSTRUCTION AND EXTERIOR FEATURES

The material your home is made of affects how your home holds up against a natural disaster and hazards like wind and fire. For example, homes made with concrete or solid brick exteriors are less likely to catch fire and are more stable during a storm.

Your home's roof is its main protection against hail, wind, fire, and other hazards. The age, condition, material, and shape of your roof are all factors that determine your premium. Homes with new or newer roofs made of materials that are stable and fire-resistant usually cost less to insure.

Installing new highly rated fire-resistant siding made of metal, fiber-cement shingles and clapboards, or masonry can help you pay less for your homeowners insurance, especially in fire-prone areas.

CUSTOM FEATURES OF THE HOME

If you have a wood-burning or pellet stove, you may pay more for insurance. If you can prove to your insurance company that a licensed contractor installed your stove and it meets code requirements, your premium may be lower.

If your home is made from custom, designer, or luxury grade materials, such as high-end marble, luxury grade cabinets, and expensive lighting, or requires professional craftsmanship to rebuild, you may pay more for your insurance.

WHERE YOU LIVE

Your home's location affects what you pay for homeowners insurance. If there often are natural disasters such as hurricanes, tornadoes, or wildfires where you live, your insurance will cost more.


Insurance companies consider how far you live from a fire station when they calculate your premium. Living in a city or suburban area, by a body of water, or in an area with high rates of property crime also will increase your premium.

ATTRACTIVE NUISANCES (FOR EXAMPLE, A SWIMMING POOL) ON YOUR PROPERTY

An *attractive nuisance* is a dangerous condition that may attract children to a homeowner's property and pose a safety risk. Examples of attractive nuisances are a swimming pool, a trampoline, and a playground. If you have an attractive nuisance on your property, you should think about buying more liability insurance. You may be liable if someone who doesn't live with you is hurt using an attractive nuisance on your property (even if they don't have your permission and aren't using the item appropriately).

Your insurer may require you to install an enclosure or fence around an attractive nuisance. Your policy also may not cover items such as diving boards or slides. Having an attractive nuisance on your property likely will increase your premium.


HOMEOWNERS INSURANCE DISCOUNTS

You may pay less for homeowners insurance if you qualify for a discount. To make sure you get the discounts you qualify for, ask your agent or the insurance company what discounts the company offers and how much you could save. When you compare the cost of insurance between different insurance companies, compare the total cost after any discounts. 

Here are some important things to consider:

- Discounts may vary depending on the insurance company and the state where you live. Some insurance companies may not offer discounts at all.
- Ask about discounts at every policy renewal.
- If you get quotes from different insurance companies and ask about discounts, you may find you'll pay less for the coverage you want.

GENERAL DISCOUNTS

Most insurance companies offer various types of discounts. The discounts may be tied to how you pay for your policy, your personal characteristics, and/or your home. 

ADVANCE PURCHASE

You may get an Advance Purchase Discount if you shop for your homeowners insurance policy before the renewal date. Some insurance companies may give you a discount if you give them seven to ten days' notice before you switch your homeowners insurance to their company.

PURCHASING AND PAYMENT

Some insurance companies offer discounts if you pay for the full year of insurance in advance, sign up for electronic payment, or are a new customer. If you agree to electronic communication instead of paper documents,

MULTIPLE POLICIES

Insurance companies may offer discounts if you have your auto and homeowners insurance with the same insurance company. This is known as bundling or home/auto packages.

DISCOUNTS SPECIFIC TO YOU AND YOUR POLICY

Insurance companies may look at information about each homeowner on the policy to decide which discounts to offer.

CLAIM FREE

Insurance companies may offer a discount if you haven't filed any claims or if you haven't filed a claim for a certain number of years. Insurers have different guidelines, so ask your agent or insurance company if they offer this discount.

PRIOR INSURANCE

This discount may be available to new policyholders. It's based on the number of years you were continuously insured by your previous insurance company.

BEING MARRIED OR WIDOWED

Your insurance company may offer a discount if you're married or widowed. If either applies to you, ask your agent or insurance company about a discount.

RETIREMENT DISCOUNT

Some insurance companies offer a discount to retired people. They tend to spend more time at home and will be alerted quickly to emergencies such as fire, water leaks, or burglary.

NON-SMOKER DISCOUNT

Smoking in the home may increase the risk of fire so some insurance companies offer a non-smoker discount.



GROUP MEMBERSHIPS

MILITARY

Some insurance companies offer a discount to active, retired, reserve, and honorably discharged members of the military (and often their family members). This discount isn't available in all states. Ask your agent or insurance company if this discount is available to you.

ASSOCIATIONS

Some insurance companies offer a discount if you're a member of an organization, such as an alumni or professional association or a union.

OCCUPATION

Some insurance companies offer a discount to people who hold certain jobs, such as first responders, teachers, and nurses.

LOYALTY (5-10 YEARS OR MORE)

Some insurance companies offer discounts if you:

- Renew your policy for a specified number of years
- No longer live with your parents, but keep the same insurance company

REPLACEMENT COST

If you insure your home for 100% of the cost to replace it, you might be eligible for a discount.

DISCOUNTS RELATING TO YOUR HOME

AGE OF HOME

If your home is less than 10 years old, insurance companies may offer you a discount.

CONSTRUCTION TYPE

If your home is built from materials such as brick, stucco, metal, or concrete, you may be eligible for a discount.

NEW OR RENOVATED HOME DISCOUNT

If you bought a new home or a renovated home with upgraded electrical or plumbing, you may be eligible for a discount.

ROOF AGE DISCOUNT

Some insurance companies give a discount based on the age of your roof. If your home has a newer roof, or an impact-resistant roof, you may qualify for a discount.

ACCREDITED BUILDER DISCOUNT

If your home's builder is on the insurance company's "accredited builder" list, you might be eligible for a discount. This discount may last for only five years after your home is built.

HOMEOWNERS ASSOCIATION (HOA)


Some insurance companies offer a discount if you live in a neighborhood that has an HOA.

LIVING IN A GATED COMMUNITY

Living in a gated community (with or without security patrols) offers an extra level of security and might make you eligible for a discount.

FIRE AND SAFETY PROTECTION

Your insurance company may offer a discount if your home has qualifying fire or theft protection. Some of these include:

- Smoke detectors
- Sprinkler system
- Fire alarm
- Security alarm
- Backup generator
- Smart technology that alerts a homeowner about a fire, water leak, or burglary 
- Deadbolt locks

WATER LEAK DETECTION

Having a system in place to prevent water leaks may qualify you for a discount. Discounts depend on how advanced the detection system is, so ask your agent or insurance company.

MITIGATION DISCOUNTS

If you live in an area that's likely to have severe weather or wildfires, your insurance company may give you a discount if you take measures to protect your home. For example, things like storm shutters, a reinforced door, or shatterproof glass reduce damage from high winds.

If your home is in an area at risk for wildfires, you may receive a discount if you take steps to mitigate damage from wildfires. This includes using concrete or other fire-resistant materials for your home's structure and creating an area around your home that reduces fire risks.