Summary for Drafting Group call (Thresholds, communication standards, ways to communicate) – 4/1/2021

- All communication should go through George Bradner and Sara Robben for distribution to the group
- The drafting group discussed whether the recommended thresholds should be based on a percentage or a dollar amount
    - There was discussion regarding whether there could be thresholds on both percentages and dollar amounts
    - Dollar amounts of increase are dependent upon the policyholder – as $10 might be a lot of money to a particular policyholder
    - Currently, most insurers program based on a percentage – however, it would be more meaningful for a consumer to have a dollar amount on a disclosure
    - Concerns were stated regarding providing information based on percentages relative to past premiums – e.g. auto premiums went down 5-10% this last year – so a 2% increase based on a past premium would really be 7-12%
    - Declaration pages do not reflect a policyholder's prior premium – might consider a declarations page including prior premium and renewal premium – and if threshold is triggered – a disclosure would be provided regarding the reason for the increase
    - Policyholders need explanations of why a premium increased so they can mitigate the additional expense
    - Some insurers send out a cover letter upon renewal that tells the policyholder if there are **any** changes to premium, as well as the underlying reasons for the premium change. Information regarding why a policyholder's premium decreases (e.g. youthful drivers aging up) might help a policyholder understand the reasons why a premium may increase in the future
        - For insurer's already doing this – there was a suggestion that recommendations would be to add any missing information that would be deemed necessary but not require the insurer to totally change the way they are already doing disclosures
        - General rate increases due to a base rate increase should also be included in the disclosure, as well as other factors
        - Should include information regarding changes in tiering structures too
    - Reasons do base thresholds on a dollar amount
        - A 10% increase could be $10 on one tier and $20 on another tier – policyholders might better understand a dollar amount
        - Consumers might understand dollar amounts better
    - What is the trigger for the disclosure?
        - CT requires a histogram whenever someone is impacted greater than 15%
        - MO requires a histogram for 10%

    - Takeaways – The disclosure (for both auto and home – currently just talking about personal lines – including dwelling and fire, RVs, and motorcycles) should include:
        - the renewal premium and the original premium should be part of the disclosure
        - the percentage the premium increased (group determined 10%) (insurers need a percentage trigger to notify a disclosure is needed)
        - the dollar amounts the premium increased (set a percentage – but report the dollar amount in the disclosure)
    - May want to create a broad category of reasons why a policy went up – e.g., change in credit score, an accident, etc.
    - Disclosure should include the top 3 or 4 reasons a premium increased
- Consider information regarding rate capping in the future – tabled discussion regarding this topic for a future conversation
    - Consumers do not understand rate capping
    - Could show the uncapped premium relative to expiring premium and show what that would look like from year to year

Link to WebEx:
https://naic.webex.com/naic/ldr.php?RCID=e951edc4c5c6451b83aa5a8e73335937