

PREMIUM INCREASE TRANSPARENCY DISCLOSURE NOTICE GUIDANCE FOR STATES

***For renewal premium that results or does not result
from a capping procedure used by the insurer***

Scope of Applicability

- (1) Disclosure applies to policies renewed on or after [Enter Date].
- (2) Disclosure applies to authorized insurers with these types of personal insurance policies:
 - a. Private passenger automobile coverage;
 - b. Homeowners coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
 - c. Dwelling property coverage for owner occupied dwellings only
- (3) Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
- (4) Exemptions
 - a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
 - b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums such as policyholder-initiated changes to deductible, frequency of payments, or increase/decrease in what is covered.
 - c. This chapter does not apply to personal umbrella policies.
 - d. This chapter does not apply to notices required by the Federal Fair Credit Reporting Act (15 U.S.C. 1681 et. seq.).
 - e. Where a usage based or telematics program is being used, if a company has a process for routinely disclosing information to drivers on how their performance is impacting their rate, an additional disclosure is not required. Otherwise, a state should consider having these programs included in this disclosure, while keeping within state confidentiality laws.
 - f. For Phase Two, this chapter does not apply to insurance policies with a premium increase of less than \$100 annually.

Notification Thresholds

- (1) Phase One: Beginning [enter date], and effective until [enter date Phase One ends*], insurers must reasonably explain changes in premium for policies described in the Scope of Availability, upon written request by the policyholder, for any premium increase at renewal.

- (2) Phase Two: Beginning [enter date Phase Two begins], insurers must automatically provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies for any premium increase of 10 percent or more, or upon written request by the policyholder for any premium increase at renewal. Automatic premium change notice applies to insurance policies with annual premium increases of \$100 or more.

[* The second phase implementation date should be decided by states based on a review of Phase One and implementation of Phase Two considerations.]

Administrative and Notification Requirements

- (1) For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a state may want to provide guidance that a prominent disclaimer be at the beginning of the first page (for printed notices), or first screen (for electronic notices) and at or near the top of renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.
- (2) For the second phase, insurers must automatically send the disclosure notice at least 30 days prior to the renewal date if the policyholder receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email (if the policyholder has elected to receive email notifications). Guidance for prominent disclosure remains the same as in Phase One.
- (3) For both phases:
- Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.
 - Insurers should respond to a policyholder's written request for explanation of premium change no later than 30 calendar days from receipt of the written request.
 - Subsequent requests from a policyholder for additional information should be responded to no later than 20 calendar days. Insurers should make every effort to respond prior to the renewal date. However, there is no expectation that the premium due date will be altered.
- (4) Receipt and response dates may be indicated by either postmark or electronic timestamp, in accordance with each jurisdiction's requirements.
- (5) Insurers should include their contact information in all premium change notifications and explanations to policyholders and may include the producer's (if any) contact information.

- (6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent by mail or electronically.

Communication Standards

- (1) Insurers should provide sufficient information, including primary factors, in terms understandable to an average policyholder. Primary factors include:
 - a. Auto-related factors: change in car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
 - b. Property related factors: change in age, location, and value,
 - c. Demographic factors: change in age, credit history, education, gender, marital status, and occupation,
 - d. Other factors: change in claims history, discounts, fees and surcharges, premium capping, automatic inflationary increases, and updates to an insurer's rate plan.
 - e. In addition to primary factors, insurers may disclose additional factors that are applicable to the premium increase.
- (2) For the second phase, insurers must include the primary factors in the premium change notice processed for renewals, if applicable to the premium increase.
- (3) If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.
- (4) If insurers use estimated dollars, a reasonable explanation should be provided about the degree of accuracy the estimated dollars achieve.
- (5) Insurers may include premium change explanations for all premium increases beyond those required.
- (6) If an insurer already has a premium increase notification process acceptable to the State's regulator, the regulator may allow the insurer to continue to use the process that is in place.

Phase Two: Auto Insurance Policy Premium Increase Notice Example

Notice of Auto Premium Increase

Your current auto insurance policy premium is [\$1,175].

Each insurer files a rating plan with the state insurance department. According to the rating plan we filed with your state, your estimated renewal policy premium is [\$2,121] .

[If the policy premium is capped, a statement such as the following must be included:]

However, the next time you renew your policy your premium increase will be limited to \$88, resulting in a renewal premium of \$1,257.

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

Remember there also are other rate factors that could cause your auto insurance premium to change in the future. For example, if you change your coverage, or if your personal and/or driving characteristics change, (such as your age* or any accidents or violations in the household), your policy premium could increase or decrease from the premium amounts stated above. [States that use drivers experience instead of age should substitute accordingly.]

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

Factors for your policy premium increase and the dollar impact*

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

[* States may choose to exclude the requirement for insurers to specify each factor's dollar impact for the increase in premium. In these instances, insurers should include a statement informing policyholders they can contact a designated representative for details about the specific dollar impacts, along with the necessary contact information.]

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

Phase Two: Homeowners Insurance Policy Premium Increase Notice Example

Notice of Homeowners Premium Increase

Your current homeowners insurance policy premium is [\$1,175].

Each insurer files a rating plan with the state insurance department. According to the rating plan we filed with your state, your estimated renewal policy premium is [\$2,121].

[If the policy premium is capped, a statement such as the following must be included:]

However, the next time you renew your policy your premium increase will be limited to \$88, resulting in a renewal premium of \$1,257.

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

Remember there also are other rate factors that could cause your homeowners insurance premium to change in the future. For example, if you change your coverage, or if your personal and/or property risk characteristics change, (such as claims filed, age of the home and/or roof, the coverage A value, etc.) your policy premium could increase or decrease from the premium amounts stated above. [States may want to modify language to reflect their specific exposures, such as wildfires or other catastrophe exposures.]

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

Factors for your policy premium increase and the dollar impact*

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

[* States may choose to exclude the requirement for insurers to specify each factor's dollar impact for the increase in premium. In these instances, insurers should include a statement informing policyholders they can contact a designated representative for details about the specific dollar impacts, along with the necessary contact information.]

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