2020 Spring National Meeting

Transparency and Readability of Consumer Information (C) Working Group

March 25, 2020
Conference Call – 10:00-11:00 am (Central)
Discuss Disclosures for Homeowners Policies, Indicating that Homeowners Policies Do Not Cover Some Catastrophic Events
Discuss the Need for Consumer Disclosures Regarding Significant Premium Increases on Property/Casualty Insurance Products
Disclosure of the Causes of Significant Premium Increases at Renewal

The following discuss the purposes for this new disclosure:

• Educating the consumer on what key risk variables are driving the increase in their premium so that they can correct any inaccurate or incomplete data being used by the insurer in rating the policy, so the consumer can consider taking steps to improve their risk profile relative to those key rating variables.

• Disclosure could be limited to cases where the premium increase is greater than a stated threshold, such as +25%.

• Ideally cases where the increase exceeded the threshold due to a change in limits or coverage requested by the insured would be excluded. This could be achieved by re-rating the expiring policy at the expiring rates but with the new limits/coverages, then comparing the revised expiring premium to the renewal premium. The insurer should provide the insured with both the revised expiring premium and the renewal premium.

• Identify for the insured the top 3 rating variables that caused the most increase in the renewal premium or identify the rating variables that caused at least half of the premium increase. (Insurers usually publish in their rate filing and/or rate manual the order of premium calculation, rating factor by rating factor.
  o Their systems might have to capture that premium calculation step-by-step for the revised expiring premium versus the renewal premium in order to identify which variables are causing the larger increases at renewal. This is most likely where the greater IT expense would be incurred by the insurer, for programming and data storage.)
Disclosure of Capped Premium

The purpose of this new disclosure:

- To inform the insured that there has been a significant change in their risk profile or in their insurer's rating structure, generating such a large increase in their renewal premium where the insurer has capped the increase (or decrease) in their renewal premium.

- To help the insured with their budget considerations by informing them what their uncapped premium would have been, and therefore the general magnitude of the premium increase they can expect over the next several renewal periods. This notice would have to obviously include a disclaimer stating this is only an estimate, as there may be additional increases or decreases cause by future rate filings or limits changes.

- Insurers need to provide the insured their expiring premium at current limits/coverages, the uncapped renewal premium, and the capped renewal premium, and inform the insured that the capping of their premium will be phased out over “x” renewal periods.
Discuss Any Other Matters