

R 2022-01 Insurance Underwriting Transparency

First Draft | May 31, 2022

Comments Due to OIC at RulesCoordinator@oic.wa.gov by Close of Business (5 PM) on June 14, 2022

WAC 284-30A-010 Purpose.

- (1) Insurance information provided to the Commissioner in the form of consumer complaints and industry responses demonstrates policyholders have not received sufficient explanations or transparency from insurers about policyholders' premium changes.
- (2) These rules improve transparency in insurance underwriting by defining the scope of insurer responsibility to provide policyholders with Premium Change Disclosure Notices and fair explanations communicating the specific factors impacting policyholder premiums.
- (3) The Premium Change Disclosure Notice required by this chapter must be provided by the insurer to the policyholder with transparent information indicating the exact premium changes related to renewals and insurer policy modifications. Failure to provide the disclosures required by these rules is hereby defined as an unfair and deceptive practice in the business of insurance, under chapters 284-30 WAC and 48.30 RCW.

WAC 284-30A-020 Scope of Applicability.

- (1) This chapter applies to all property and casualty insurers with insurance business transacted on personal insurance policies, as defined in RCW 48.19.035, and all personal lines of property and casualty policies.
- (2) These rules apply to property and casualty insurance policyholders with policies in effect at the time of a premium change.
- (3) These rules apply to the renewal or insurer modification of an insurance policy and will not apply to the purchase of new policies or new insurance applications.
- (4) Exemptions:
 - (a) Insurers of health, disability, life, and long-term care are exempt from compliance with this chapter. Health care services contractors and health maintenance organizations are also exempt from compliance with this chapter.
 - (b) Credit-based insurance scoring models, company placement criteria or eligibility rules, and strictly confidential insurance company trade secrets, as defined by chapter 19.108 RCW (Uniform Trade Secrets Act), are exempt from these rules.
 - (c) Information in a filing on "usage-based insurance" and about the usage-based component of the rate is confidential and exempt from these rules, pursuant to RCW 48.19.040.

- (5) These rules are not intended to contradict or conflict with the Fair Credit Reporting Act (15 U.S.C. Sec. 1681).
- (6) These rules are in addition to and separate from the disclosure requirements contained in chapter 284-24A WAC.

WAC 284-30A-030 Definitions.

When used in this chapter, these terms are defined as and have the following meaning:

- (1) "Insurance" has the same meaning as provided in RCW 48.01.040.
- (2) "Insurance policy" or "insurance contract" means any contract of insurance, indemnity, or suretyship, issued, proposed for issuance, or intended for issuance by any insurer.
- (3) "Insurer" means any individual, corporation, association, partnership, reciprocal exchange, interinsurer, fraternal mutual insurer, fraternal mutual life insurer, and any other legal entity engaged in the business of insurance, authorized or licensed to issue or who issues any insurance policy or insurance contract in this state. "Insurer" does not include health care service contractors, as defined in RCW 48.44.010, and health maintenance organizations, as defined in RCW 48.46.020.
- (4) "Policyholder" means either the persons, entities, or both listed in the declarations page as the named insured in an insurance policy. Policyholder does not include other covered individuals or lienholders.
- (5) "Premium" has the same meaning as provided in RCW 48.18.170.
- (6) "Premium change" means any changes of a financial nature to financial aspects of insurance policies, including but not limited to rates, charges, costs, credits, discounts, or fees.
- (7) "Policy period" means the time or period during which insurance coverage is in effect.
- (8) "Premium Change Disclosure Notice" means the form and provisions provided by WAC 284-30A-050 used to inform the policyholder of financial impacts in insurance transactions with premium changes.
- (9) "Written" or "in writing" means any retrievable method of recording an agreement or document, and, unless otherwise specified, includes paper and electronic formats.

WAC 284-30A-040 Premium Change Disclosure Notice Instructions.

- (1) Insurers must use the Premium Change Disclosure Notice provided in this chapter to notify policyholders of any premium changes when compared to the policyholders' previous policy terms, unless:
 - (a) An insurer already has an alternative notification form approved by the Commissioner for these purposes.
 - (i) Insurers can use alternative notification forms for compliance with this chapter. Insurers must file any alternative premium change disclosure notice with the Commissioner, so the notice can be reviewed for sufficiently meeting or exceeding the standards outlined in this chapter.
- (2) Insurers must file the Premium Change Disclosure Notice with the Commissioner, whether using the notice provided in WAC 284-30A-050, or using an alternative version of the notice.

- (3) Notice filings and requests to use alternative notices must be submitted electronically in the System for Electronic Rate and Form Filings (SERFF).
- (4) Failure to use the Premium Change Disclosure Notice in WAC 284-30A-050, or acquire Commissioner approval to use alternative insurer notices, will result in a violation of this chapter.
- (5) Premium Change Disclosure Notice Instructions to Insurers:
 - (a) **Instructions to Insurers:** Each policyholder receiving a premium change to their insurance policy, must receive a Premium Change Disclosure Notice.
 - (i) This notice must be sent by the insurer to the policyholder **at least 20 days** prior to the effective date of the premium change.
 - (ii) The notice may be sent individually or included with renewal notices.
 - (iii) The notice must be sent in writing, and can be sent via postal mail, if proof of mailing is maintained, or may be delivered in email or electronic format, if the policyholder has consented to receive notifications electronically. All electronic notices and deliveries must comply with chapter 48.185 RCW.
 - (iv) This notice must include an itemized list of all factors used to determine the premium change, and contain the cost or percentage of each factor and its impact on the overall premium, so that one hundred percent of the premium change is explained. All factors must be listed in descending order of dollar or percentage impact.
 - (v) Insurers must add or remove rows and explanations as necessary to improve transparency with the policyholder, so that all impacts of a premium change are identified and explained in the Premium Change Disclosure Notice.
 - (vi) Note that use of underwriting tier change, driver class modification, risk score alteration, and household composition alone are not acceptable as sufficient explanations for the Premium Change Disclosure Notice. All factors listed must be sufficiently explained so that the policyholder can understand each and if the policyholder can take steps to limit the impact on their premium change. If multiple rating characteristics define the underwriting tier, then the premium increase caused by each of those rating characteristics must be considered and explained separately. The Premium Change Disclosure Notice contained in WAC 284-30A-050 provides the minimum content requirements to comply with this chapter.
 - (vii) The records related to Premium Change Disclosure Notices are subject to RCW 48.05.280. These records must be retrievable and made accessible to the Commissioner during the retention period.

WAC 284-30A-050 Premium Change Disclosure Notice Contents.

- (1) This section outlines the explanation required and minimum amount of information to include in the contents of the Premium Change Disclosure Notice. Insurers are permitted to provide additional information beyond these requirements.
- (2) **PREMIUM CHANGE DISCLOSURE NOTICE**

LICENSED INSURANCE COMPANY – NAME, ADDRESS, & NAIC Number

Policyholder Name, Policy Type, Covered Risks, Policy Number, Policy Period, and Effective Date

We are notifying you of a premium change to your insurance policy. Your premium for this insurance policy has changed by (Dollar or Percentage Amount). (Insurers must select the appropriate information that applies to the insurance transaction requiring a Premium Change Disclosure Notice.)

- Your insurance policy is impacted by (insurers insert applicable insurance information here, including but not limited to: reasons for increased/decreased premiums, like higher/lower associated risks, claims history, making monthly installments instead of annual payments, surcharges, and penalties), which will cause the price of your insurance to change.
- According to our current rating plan filed with your state, your premium has changed from (Dollar Amount) to (Dollar Amount), due to the specific factors outlined below.
- We are capping or limiting your premium change to (Percentage Amount) per policy period over the next (Number) renewals, after which the entire remaining premium change will be uncapped. Rather than implementing the entire premium change during a single policy period, we are phasing in the remaining premium changes for your policy over the next (Number) policy renewals. (Insurers must include this section if the insurance company uses rate capping in their rating plan.)
- Your future premiums may increase or decrease if you change your coverage, if there are changes in your personal risk characteristics that occur during this timeframe, or by future rate change filings made by our company in your state.
- Below is your premium change, including a breakdown of each factor that was used to determine your new premium and the dollar or percentage of impact for each:

Previous Premium Amount		New Premium Amount		
	Percentage Change to Premium:		Dollar Change to Premium:	
<u>Reason 1</u> (Reason)	Impacted your premium by	(+ or - %)	Impacted your premium by (+ or - \$)	Explanation
<u>Reason 2</u> (Reason)	Impacted your premium by	(+ or - %)	Impacted your premium by (+ or - \$)	Explanation
<u>Reason 3</u> (Reason)	Impacted your premium by	(+ or - %)	Impacted your premium by (+ or - \$)	Explanation
<u>Reason 4</u> (Reason)	Impacted your premium by	(+ or - %)	Impacted your premium by (+ or - \$)	Explanation
	Total:	(%)	(\$)	

If you have any questions, please contact us via telephone (), email (), fax (), postal mail (), or visit our website ().

WAC 284-30A-060 Penalties for Noncompliance.

- (1) Any insurer who fails to adhere to the rules contained within this chapter, including the provisions on timing, notice, and content requirements, is considered to have committed unfair and deceptive practices, and will be subject to the remedies and penalties contained in chapters 284-30 WAC and 48.30 RCW.
- (2) Insurers must not enter into any agreement, arrangement, scheme, or understanding or in any other manner pursue any course of conduct, designed to avoid compliance with the rules contained in this chapter.

WAC 284-30A-070 Severability Clause.

- (1) If any section or portion of a section of these rules or the applicability thereof to any person or circumstance is held invalid by a court, the remainder of the rules or the applicability of the provision to other persons or circumstances shall not be affected.