

R 2022-01 Premium Change Transparency

Third Draft | October 27, 2022

Comments Due to OIC at RulesCoordinator@oic.wa.gov by Close of Business (5 PM) November 10, 2022

WAC 284-30A-010 Purpose.

- (1) 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) This chapter improves transparency in insurance pricing and rating by defining the scope of insurer responsibility to provide policyholders with Premium Change Notices and reasonable explanations communicating the specific factors impacting policyholder premiums.
- (3) The Premium Change Notice required by this chapter must be provided by the insurer to the policyholder indicating the premium changes occurring at renewal. Failure to provide the Premium Change Notice required by this chapter 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 policies renewed on or after January 1, 2024.
- (2) This chapter applies to authorized insurers with policies on the following types of personal insurance:
 - (a) Private passenger automobile coverage;
 - (b) Homeowner's coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
 - (c) Dwelling property coverage.
- (3) This chapter applies to policies in effect at the time of a premium change.
- (4) This chapter applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
- (5) 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) Nothing in this chapter requires insurers to disclose the contents of 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). However, insurers may need to provide information specific to the policyholder that has been produced through or resulting from these sources to comply with this chapter.

(c) Information in a filing on “usage-based insurance” and about the usage-based component of the rate is confidential and exempt from this chapter, pursuant to RCW 48.19.040.

- (6) This chapter is not intended to contradict or conflict with the Fair Credit Reporting Act (15 U.S.C. Sec. 1681).
- (7) This chapter, and the associated Premium Change Notice requirements, 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, and which is authorized, or licensed to issue and which 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) “Notice” means the Premium Change Notice, including the form and provisions provided by WAC 284-30A-050.
- (5) “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.
- (6) “Policy period” means the time or period during which insurance coverage is in effect.
- (7) “Premium” has the same meaning as provided in RCW 48.18.170.
- (8) "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 Notice Instructions.

- (1) Insurers must provide the Premium Change Notice in this chapter to policyholders in accordance with the following:
 - (a) For policies, as described in WAC 284-30A-020, renewed on or after January 1, 2024, upon request by the policyholder for any premium increase occurring at renewal; and
 - (b) For policies, as described in WAC 284-30A-020, renewed on or after January 1, 2027, upon a 10% premium increase occurring at renewal or upon request by the policyholder for any premium increase occurring at renewal.
- (2) Insurers must file the Premium Change Notice with the Commissioner, whether using the Premium Change Notice provided in WAC 284-30A-050, or using an alternative version of the Premium Change Notice. Insurers must file any alternative Premium Change Notice with the Commissioner, so the

Premium Change Notice can be reviewed for sufficiently meeting or exceeding the standards outlined in this chapter.

- (3) Premium Change Notice filings and requests to use alternative Premium Change Notices must be submitted electronically in the System for Electronic Rate and Form Filings (SERFF).
- (4) Failure to use the Premium Change Notice in WAC 284-30A-050, or acquire Commissioner approval to use alternative insurer Premium Change Notices, is a violation of this chapter.
- (5) Premium Change Notice Instructions to Insurers:
 - (a) **Insurer Premium Change Notice Disclaimer:** Insurers must include a prominent disclaimer on the first page or view of insurer webpages and consumer-facing software applications that are specific to either Washington state or the insured policyholder (including accounts accessible to policyholder logins and those designed for devices like cellphones and tablets), renewal notices, billing statements, and declaration pages indicating in **increased sized, at least twelve-point type bold font**, substantially similar language as the following: ***“Policyholders receiving an increase to their premiums at renewal can request an explanation and Premium Change Notice by contacting their insurer. Please see this authority for additional information on your consumer protections - Chapter 284-30A WAC.”***
 - (i) Insurers must send the Premium Change Notice to the policyholder, and their producer (if any), according to the following:
 - (A) If upon request, then no later than 20 calendar days from the date of the request; and
 - (B) If upon renewal, due to a 10% premium increase, then 20 calendar days prior to the effective date of the renewed policy.
 - (ii) The Premium Change Notice must include the insurer’s, and may include the producer’s (if any), contact information.
 - (iii) The Premium Change Notice must include a statement that the policyholder may contact their insurer to request additional information about the policyholder’s premium increases.
 - (A) Insurers must respond to and provide additional information for policyholder’s subsequent requests related to the Premium Change Notice, no later than 20 calendar days from the date of any subsequent requests.
 - (iv) Insurers may send the Premium Change Notice individually or with renewal notices.
 - (v) Insurers must send the Premium Change Notice in writing, and may send the Premium Change Notice via postal mail, if proof of mailing is maintained, or may deliver the Premium Change Notice in email or electronic format, if the policyholder has consented to receive notifications electronically. All electronic Premium Change Notices and deliveries must comply with chapter 48.185 RCW.

- (vi) The Premium Change Notice must include a reasonable explanation of the primary factors that have changed when compared to the previous policy term, so that the premium change is clearly explained with sufficient information.
- (A) Reasonable explanation means that the information included in the Premium Change Notice is presented in terms that are understandable to an average policyholder.
 - (B) Sufficient information means providing enough information to enable the policyholder to understand the basic nature of any premium changes or to calculate any premiums resulting from a change in rates.
 - (C) Primary factors include the specific rate and rating factors that were used to calculate the premium change. The primary factors include the following:
 - (I) Auto-related factors (driving record, how much you drive, and car garaging location), claims history, discounts (including surcharges and fees), demographic factors (age, credit history, education, gender, marital status, and occupation), property related factors (age, location, and value), premium capping, and rate change or increase.
 - (II) The primary factors are required in the Premium Change Notice if applicable to the premium change. Insurer Premium Change Notices may include additional factors not listed in this section, if applicable to the premium change.
 - (III) Insurers may notify policyholders of composite rating variables causing changes to premiums. Composite rating variables can include, but are not limited to the following: underwriting tier, driver class, risk score, and household composition. However, if insurers include notice on composite rating variables causing premium increases, then the premium change caused by the composite rating variables must be considered and explained. All composite rating variables listed must be sufficiently explained by insurers, so that the policyholder can understand each and determine if steps can be taken to limit the impact on their premium change.
 - (IV) Insurers may include the use of estimated dollars in the Premium Change Notice, if a reasonable explanation and sufficient information are provided by the insurer to the policyholder on the degree of accuracy estimated dollars achieve, as specifically applied to that policy and premium change.
 - (V) Insurers must list primary factors in descending order of impact, from most to least impactful, in the Premium Change Notice.
- (vii) Insurers may show separate impacts by the different risks being covered and the type of coverage for each.
- (viii) Insurers may add or remove formatting and contents in the Premium Change Notice as necessary to improve transparency with the policyholder.
- (ix) The records related to Premium Change Notices are subject to RCW 48.05.280. These records must be retrievable and made accessible to the Commissioner during the retention period.

(x) This chapter does not prohibit insurers from sending Premium Change Notices for all premium increases, beyond those required in this section.

(xi) Insurers must provide policyholders with access to a language translation service specific to the Premium Change Notice. This can include either written or telephonic translation services.

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

(1) This section outlines the explanation required and minimum amount of information to include in the contents of the Premium Change Notice. Insurers are permitted to provide additional information beyond these requirements.

(2) Premium Change 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 increased from (Total Amount) to (Total Amount) (*insurers insert amount*).**
- **Your premium is impacted by (*insurers insert primary factors such as auto-related factors, demographics, discounts, and property related factors*), which will cause the price of your insurance to increase at renewal.**
- **Below is an explanation for your premium change (*insurers must communicate the reasons for the premium changes along with a corresponding explanation; insurers must articulate and quantify policyholder premium changes through either dollars, percentages, or paragraph form*):**

Prior Policy Term

Renewal Policy Term

Premium Total Amount

Premium Total Amount

Reason(s)	Percentage Change to Premium	Dollar Change to Premium	Insurer Explanation(s)
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*Please Note: Your future premiums may increase or decrease if you change your coverage, if there are changes in your risk characteristics that occur during this timeframe, or by future rate change filings made by our company in your state.

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

WAC 284-30A-060 Penalties for Noncompliance.

(1) Insurers who fail to adhere to this chapter, including the provisions on content requirements, timing, notice, and retention, are 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 or intended to avoid compliance with this chapter.

- (3) Insurers are responsible for compliance with this chapter and cannot avoid liability by delegating Premium Change Notice requirements to third parties.

WAC 284-30A-070 Severability Clause.

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