



Consumer Federation of America

Comments from Consumer Federation of America to the Washington State Office of the Insurance Commissioner in Support of Premium Change Transparency Rule (R 2022-01)—Third Prepublication Draft

November 10th, 2022

Insurance Commissioner Mike Kreidler
500 Capitol Blvd SE
Tumwater, WA 98501
Rules.Coordinator@oic.wa.gov

Re: R 2022-01 Premium Change Transparency-Third Draft

The Consumer Federation of America (CFA) appreciates the opportunity to comment on the third draft of the premium transparency rule promulgated by the Washington State Office of the Insurance Commissioner (OIC)—R 2022-01—Premium Change Transparency. We urge the OIC to implement insurance premium change notification requirements as quickly as possible and we comment on several proposed changes to the rule. As we previously mentioned in our past comments, providing Washington consumers with a better understanding of premium increases will make them more knowledgeable and provide them with important information that could help them reduce their risk of loss and save money.

We thank OIC for their work on this premium transparency draft rule and observe that the threshold, upon which insurance companies must provide the Premium Change Notice to policyholders, remains at a 10% premium increase occurring at renewal or upon request by the policyholder for any premium increase occurring at renewal. In our opinion the 10% threshold is still too high, given the high costs of critically important and often required insurance products, and we continue to urge OIC to lower the threshold.

Requiring insurers to provide Premium Change Notices to policyholders upon a 10% premium increase will benefit consumers facing large percentage increases, but it overlooks the fact that often the most financially vulnerable consumers face the highest premiums. As CFA [has reported in the past](#), Washington drivers with poor credit pay 79% more on average for coverage compared with otherwise similar high credit score drivers purchasing the same coverage. That means a driver with low credit would see a greater dollar impact from a 6% premium increase than a driver with a high credit score would experience from a 10% increase. But under the proposed regulations, the high credit driver would automatically receive an explanation of their rate hike, while the low credit driver facing a larger dollar change would not.

We propose that either the rule eliminate the minimum change threshold and require explanatory disclosures for all premium increases or require disclosure of any increase of \$30 or more for six-month policies or \$60 or more for 12-month policies. Put differently, any premium change

that has the effect of increasing the cost of insurance by five dollars or more per month would generate an explanatory notice to the policyholder.

Our second concern with the new draft regulation is we do not believe that implementation of the mandatory notices should be delayed until 2027. The entire rule should be fully implemented no later than January 1, 2024.

We support OIC's requiring a prominent disclaimer on insurer webpages or the first page of renewal notices, billing statements, and declaration pages stating that "policyholders receiving an increase to their premiums at renewal can request an explanation and Premium Change Notice by contacting their insurer." Most consumers are unfamiliar with this proposed rule and the increased rights they will have, and public education is important for ensuring better consumer information.

CFA also supports the Premium Change Notice's requirement that insurers include a reasonable explanation of the information contained in the notice, in terms that an ordinary consumer can understand. If the facts are not understood by average people, then the Premium Change Notice has little point.

The Premium Change Notice also requires the insurer to list the specific rate and rating factors that were used to calculate the premium changes. These primary factors include: consumer driving record, amount driven, claims history, discounts, demographic factors (age, credit history, education, gender, marital status, and occupation), property related factors, premium capping, and rate change or increase. Insurance companies must list the primary factors in descending order of impact, from most to least impactful. We support the OIC's itemization of these factors but also urge OIC to include the following additional factors in the demographic factors list: a consumer's homeownership status and history of prior insurance coverage. Additionally, we note that in Section 5 (a) (vi)(C) the second sentence should begin: "The primary factors include, but are not limited to, the following:..."

Finally, we applaud the Premium Change Notice's statement that insurers must comply with this rule and cannot avoid liability by delegating requirements to third parties. If insurers do not provide this information to consumers, they must be held accountable for the premium increases they impose and the communications sent to consumers that are meant to explain the price hikes.

Please contact us at mdelong@consumerfed.org with any questions.