

From: [Michael DeLong](#)
To: [OIC Rules Coordinator](#)
Cc: [Douglas Heller](#); [Walker, Michael \(OIC\)](#)
Subject: Comments from Consumer Federation of America in Support of Premium Change Transparency Rule-Fourth Draft
Date: Thursday, February 2, 2023 11:22:42 AM
Attachments: [Comments from Consumer Federation of America to the Washington State Office of the Insurance Commissioner in Support of Premium Change Transparency Rule-Fourth Draft.pdf](#)

External Email

Dear Washington State Office of the Insurance Commissioner,

Attached are comments from Consumer Federation of America in support of the Premium Change Transparency Rule R 022-01-Fourth Prepublication Draft.

We support the rule, which will enable Washington consumers to get information about premium increases that will help them understand the price hikes they are facing and that could help them reduce their insurance costs. We are, however, troubled by the delays in this rule and its further weakening in this draft. We reiterate our prior concerns and add additional comments regarding the proposed changes.

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

Sincerely,

Michael DeLong
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Consumer Federation of America



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)—Fourth Prepublication Draft

February 2nd, 2023

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

Re: R 2022-01 Premium Change Transparency Rule-Fourth Draft

The Consumer Federation of America (CFA) appreciates this opportunity to comment on the fourth draft of the premium transparency rule promulgated by the Washington State Office of the Insurance Commissioner (OIC)—R 2022-01—Premium Change Transparency. Washington consumers need and deserve information about premium increases that will help them understand the price hikes they are facing and get information that could help them reduce their insurance costs. We are, however, troubled by the delays in this rule and its further weakening in this draft. We reiterate our prior concerns and add additional comments regarding the proposed changes.

According to the current draft, insurers will not have to send out a detailed explanation of premium increases, including the role of rating factors and the customers' rating characteristics, for customers facing a 10% increase until 2027. For those who request a rate increase explanation prior to 2027, companies will not be required to provide the crucial details about how much the price hikes were influenced by individual rating factors.

There is no reason to allow insurance companies to delay transparency around their rate hikes. As we discuss below, we still believe that the 10% threshold for mandatory premium increase transparency is too high, but regardless of the threshold you select, consumers should not have to wait until 2027 for a clear and detailed explanation of premium hikes, and the regulation should simply require that:

For insurance policies renewed on or after June 1, 2024, insurers shall provide Premium Change Notices with a reasonable explanation, sufficient information, and the primary factors applicable to the premium increase.

Returning to our prior comments, we reiterate our view that the 10% threshold for automatic notification of premium increases is too high. Our research shows that Washington drivers with poor credit pay 79% more on average for coverage compared with otherwise similar high credit score drivers purchasing the same coverage. This means that a driver with excellent credit and a \$500 policy would receive an explanation for a \$50 increase, while an otherwise similar driver

with poor credit, who is likely paying \$895 or more for the same coverage, would not get an explanation for an \$89 increase. The current proposal is likely to mean that those with the highest premiums and most fragile financial situations are going to face significantly higher increases without the transparency that will be available to those with lower rates and more financial stability. CFA again urges that OIC change the proposed rule to require explanatory disclosures for all premium increases, or, at least, to require disclosure of any increase of \$30 or more for six-month policies or \$60 or more for 12-month policies.

We continue to 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 can request explanations for their premium increases by contacting their insurers. The majority of 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 further 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. The Premium Change Notice will serve no purpose if regular people cannot understand it.

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: Auto-related factors (car garaging location, driving record, how much consumers drive, and number of drivers and vehicles), claims history, discounts, fees and surcharges, demographic factors (age, credit history, education, gender, marital status, and occupation), property related factors (age, location, and value), and rate changes. As we have noted previously, the list of demographic factors should include homeownership status and history of prior insurance coverage.

CFA is also concerned that the rule no longer requires insurers to list primary factors in descending order of impact, so consumers can easily know which factors are responsible for their premium increases. Such data would be extremely helpful to policyholders who are unfamiliar with insurance and the specific factors that influence coverage, rates, and premiums. Insurers should be required to list primary factors that affect premium increases in a descending order of impact, from greatest to least.

It has been nearly ten months since the initial meeting on this proposed rule, which took place in April 2022. We hope OIR will adopt a strong rule so that by next year insurance customers in the state are getting the premium increase explanations they deserve and need.

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