

From: [Michael DeLong](#)
To: [OIC Rules Coordinator](#)
Cc: [Douglas Heller](#)
Subject: Comments from Consumer Federation of America in Support of Premium Change Transparency Rule-R 2022-01
Date: Friday, April 28, 2023 12:46:57 PM
Attachments: [Comments from Consumer Federation of America to the Washington State Office of the Insurance Commissioner in Support of Premium Change Transparency Rule.pdf](#)

External Email

Mr. Walker,

This is Michael DeLong from Consumer Federation of America. Attached are comments from Consumer Federation of America to the Washington State Office of the Insurance Commissioner (OIC) in support of the proposed Premium Change Transparency Rule-R 2022-01.

Washington consumers need and deserve information about their premium increase and the rating factors that affect them. This proposed rule will help inform consumers about their insurance premiums, the factors that influence and result in premium hikes, and the need for meaningful insurance reform. We urge OIC to enact it without delay.

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

Sincerely,

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Research and Advocacy Associate
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

April 28th, 2023

Michael Walker
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Re: Premium Change Transparency Rule—R 2022-01

The Consumer Federation of America (CFA) submits these comments in support of the Washington State Office of the Insurance Commissioner's (OIC) Premium Change Transparency Rule—R 2022-01. Washington consumers need and deserve information about premium increases that will help them understand the price hikes they face and they further need information that will help them reduce their insurance costs. While the Premium Change Transparency Rule could be stronger, it is an important first step toward ensuring consumers know the reasons for their premium increases, and it will help promote transparency and accountability in Washington State's insurance markets.

CFA is an association of consumer organizations that was founded in 1968 and works to advance the consumer interest through research, advocacy, and education. Our comments are based on our years of experience working to make insurance more affordable and accessible, combat unfair discrimination, and ensure that insurance markets are fair and accurate. CFA's Director of Insurance Douglas Heller serves as a member of the United States Department of the Treasury's Federal Advisory Committee on Insurance and as a Public Member of the California Automobile Assigned Risk Plan Advisory Board. CFA's Research and Advocacy Associate Michael DeLong is a funded Consumer Representative at the National Association of Insurance Commissioners (NAIC) and a member of the Nevada Division of Insurance's Property & Casualty Advisory Committee.

Currently insurance companies have no legal obligation to disclose and explain the specific rating factors that are used to determine premium increases. As a result, consumers are left in the dark with no information about rate hikes, not only about the factors that insurers use in underwriting and at renewal, but also how they can reduce their premium costs. Making educated and informed decisions is very difficult under these circumstances and creates an environment ripe for unfair treatment and exploitation.

OIC's proposed rule will change this state of affairs by requiring insurers to provide premium change transparency information to consumers. Beginning on June 1, 2027, insurers must provide premium change notices, with reasonable explanations and primary factors, about the causes of premium increases to consumers, whenever the policy renewal will result in a 10% or greater premium increase. Also starting on June 1, 2027, insurers must provide reasonable explanations and primary factors about premium increases to consumers if the consumers make written requests for any premium increases upon policy renewals. Finally, starting on June 1, 2024, insurers must provide reasonable explanations for any premium increases at the time of renewal if consumers make written requests for this information. The rule will apply to auto insurance and homeowners' insurance, but not to health, life, or long-term care insurance.

CFA commends OIR for their hard work on the proposed rule, for holding multiple hearings on the proposal, and for receiving and incorporating feedback from consumer advocates and insurers. We strongly support the requirement that renewal notices and renewal billing statements must include the prominent disclaimer, "Policyholders receiving an increase to their premiums at renewal can request an explanation by contacting their insurer in writing." Most Washington consumers are unfamiliar with the factors affecting their auto insurance premiums and premium increases, and are unaware that their credit information can result in them paying hundreds or even thousands of dollars more in premiums. The disclaimer will help educate consumers about insurance premium increases and the factors that contribute to them.

CFA is also encouraged by the listing and definition of primary factors that influence and cause premium increases. They include auto related factors, such as car garaging location, driving record, miles driven, number of drivers, and number of vehicles, claims history, and discounts, fees, and surcharges, property related factors, and rate changes. But the primary factors also include demographic factors, including a consumer's age, credit history, education, gender, marital status, and occupation. These demographic factors will greatly enlighten consumers about premium increases; however, we again urge that the list of demographic factors include consumers' homeownership status and their history of prior insurance coverage.

CFA still believes that the 10% threshold for automatic notification of premium increases is too high. Washington consumers with poor credit pay substantially more for auto insurance. Under this rule, drivers with excellent credit and less expensive policies may get transparency regarding premium increases, while drivers with poor credit and more expensive policies will not get transparency about their increases, even if their actual premium increases are substantially larger. We are also concerned that insurers could adopt a policy of repeated premium increases just below the 10% threshold, which would harm consumers but not be subject to the Premium Change Transparency Rule. As we have stated in our past comments, CFA urges that the proposed rule require explanatory disclosures for all premium increases.

CFA is pleased that the Premium Change Transparency Rule still requires that insurers provide a reasonable explanation of the information contained in the notice so ordinary consumers can understand the data. Without this requirement, the rule will be significantly less effective at educating consumers.

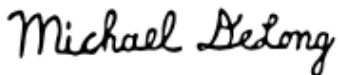
Contrary to claims by some companies, the Premium Change Transparency Rule will only impose minor costs on insurers. The OIC estimates that each company can expect to respond to 60 policyholders for 30 minutes each concerning the premium change transparency, which would result in about 30 hours per agency answering questions. OIC further estimates that the overall cost of compliance for insurers will be slightly more than \$1,200. Many insurance companies earn substantial profits—and in some cases, enormous profits—and pay out large salaries and bonuses to their senior officials. Insurers will easily be able to bear the minor costs resulting from this rule.

Finally, CFA urges OIC to speedily implement the Premium Change Transparency Rule, which has been in development since April 2022—for a full year. There have been ample opportunities for public comment and suggestions. At the most recent public meeting, several insurers argued that the rule should be paused and that a national transparency rule should be implemented instead. These suggestions are yet another delaying tactic and an attempt to block any premium change transparency for consumers. National insurance recommendations or model regulations are extremely time-consuming, cumbersome to craft, and have no legal force since states are not required to adopt them.

The Premium Change Transparency Rule will help inform consumers about their insurance premiums, the factors that influence and result in premium hikes, and the need for meaningful insurance reform. We urge OIC to enact it without delay.

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

Sincerely,

A handwritten signature in black ink that reads "Michael DeLong". The signature is written in a cursive, slightly slanted style.

Michael DeLong
Research and Advocacy Associate
Consumer Federation of America