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To: [OIC Rules Coordinator](#)
Cc: [Christian Rataj](#)
Subject: NWIC-NAMIC written testimony re Matter R 2022-01 - Premium change transparency
Date: Friday, April 28, 2023 11:15:31 AM
Attachments: [image001.jpg](#)
[Transparency Rule CR 102.NAMIC-NWIC comment letter.pdf](#)

External Email

Greetings,

Please find attached written testimony submitted jointly by the NW Insurance Council (NWIC) and the National Association of Mutual Insurance Companies (NAMIC), regarding Matter R 2022-01, the CR 102 on the OIC's Premium Transparency rule.

Please contact me, or my colleague, Christian Rataj (crataj@namic.org) if you have any questions.

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April 28, 2023

Rules Coordinator
Office of the Washington Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Submitted via email

RE: Matter R 2022-01 – Premium Change Transparency proposed rule - NAMIC and NWIC’s Written Testimony

Dear Commissioner Kreidler:

On behalf of our member companies, the National Association of Mutual Insurance Companies (NAMIC) and Northwest Insurance Council (NWIC) wish to provide the following comments regarding the above captioned rulemaking. NAMIC and NWIC also incorporate by reference into this written submission our comment letters previously submitted in 2022 and 2023 in response to the four pre-publication drafts of the rule.

NAMIC’s and NWIC’s member companies appreciate the importance of providing insurance consumers with accurate and actionable information, so they may make thoughtful and informed decisions in the competitive insurance marketplace. Insurers are committed to providing reliable, useful and beneficial information to consumers about the policies and coverages they purchase.

We gratefully acknowledge that over the past 12 months, the OIC has conducted significant outreach to the public and to insurers in the development of the Premium Transparency Rule. We believe that the concerns, suggestions and data shared through the OIC’s “Interested Party” process have been thoughtfully considered by the OIC, and we are pleased that some of those suggestions have been included in the formally proposed rule.

Notably, insurers appreciate the limitation of the rule to personal lines auto- and property-related policies only and not to commercial lines, umbrella policies or boat/RV policies, and that there are specific exemptions for antique, classic and specialty vehicles. We also wish to acknowledge the OIC’s decision to bifurcate the rule, requiring that insurers provide generalized information about a policyholder’s rate increase upon written request from the policyholder at renewal beginning in June 2024, then requiring more personalized and granular rating information to policyholders upon written request, or automatically to any policyholder who’s premium increases by 10% or more at renewal. We are also appreciative that the OIC extended the response time for insurers, from the initially proposed 20 days from the date of a consumer request to 20 days from receipt of the request by the insurer (though, because we had requested 30 days and continue to be concerned about response time, we respectfully request the rule be clarified to allow **20 business days**).

General Concerns

While we support the goal of providing premium information to consumers and appreciate the efforts made by the OIC to have a two-step process for implementing the Premium Change Transparency rule, we continue to question whether either “phase one” or “phase two” are truly necessary or wanted by consumers. Further, we continue to be concerned that the cost imposed on companies to comply – particularly with “phase two” beginning in June 2027 – will be excessive in comparison to the minimal benefit it may provide to Washington insurance consumers. Our concern, particularly with “phase two,” is that the requirement to provide granular-level information about the reasons for rate changes, which can be actuarially complex and difficult to briefly explain, will end up being a source of confusion and frustration to consumers. Some additional concerns include:

- The rule – and especially phase two – is inconsistent with the approach taken by other states across the nation.
- For insurers that write across multiple states, establishing Washington-only premium disclosures comes at an enormous cost – in some cases, tens of millions of dollars.
- Highly detailed, policy-and-factor-specific information is of no use if a policyholder cannot understand it and ignores or disposes of the information immediately on receipt.
- Information that generates more confusion, frustration and inquiries for insurance producers, companies and/or the OIC consumer protection division is counterproductive.
- The OIC’s small business impact statement dramatically underestimates the cost impact of the proposed rule in both phase one and phase two. We have heard from insurers that the OIC’s estimate of 30 hours of time spent on compliance/response to policyholders in phase one by an average insurance agency will actually be closer to 30 hours of time per agency per *month* instead of per year, equating to roughly \$15,000 per year per agency. In phase two, the complexity of the information required is likely to result in agencies hiring additional staff to handle consumer inquiries at renewal, which can cost an agency \$45-50k per year.

Specific Recommendations

1. Our organizations and members are aware that the OIC is considering the development of a “Frequently Asked Questions” document that might accompany this rule upon adoption. We would encourage the OIC, if the rule is adopted as proposed, to include guidance specifically regarding what information must be included in a “reasonable explanation” to a policyholder who requests information regarding a premium increase at renewal.
2. Insurers have suggested that the notice requirements in both phase one and phase two be limited to policies receiving premium increases of 10 percent or more at renewal, if the policyholder requests the information in writing.
3. The scope of WAC 284-30A-020 contains problematic and ambiguous language relating to potential disclosure of models, company placement criteria or eligibility rules and strictly confidential insurance company trade secrets by stating: “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.” The last sentence in -020(c) remains confusing and is potentially conflicting with existing statutory requirements in WAC 284-24A-010. We recommend the following **revisions** to **WAC 284-30A-020**:

- (c) 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). **Nothing in this chapter eliminates an insurers requirement to comply with WAC 284-24A-010. 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.**

4. We recommend aligning the insurer communication standards in **WAC 284-30A-070** to track with similar language relating to credit already in required in WAC 284-24A-010, which states:

- (1) An insurer must tell a consumer about significant factors that adversely affect the consumer's credit history or insurance score. As many as four factors may be needed to explain the adverse action.
- (2) An insurer must explain what significant factors led to an adverse action as defined in RCW **48.18.545** (1)(a). The insurer is responsible for making sure that the reason(s) an adverse action occurred is written in reasonably clear and simple language, even if the reason(s) is provided to the insurer by a vendor.

We recommend the following **revisions** to **WAC 284-30A-70**:

- (1) **Insurers must provide sufficient information about significant factors that caused the premium increase. The insurer is responsible for making sure that the reason(s) the premium increase occurred is written in reasonably clear and simple language. Reasonable explanation is a communication standard that requires insurers to provide sufficient information, in terms that are understandable to an average policyholder, which enable the policyholder to figure out the basic nature of any premium increase.**

~~(2) Primary factors is a communication standard that requires insurers to provide the specific rate and rating factors that caused the premium increase.~~

- (2) **As many as four primary factors may be needed to explain the premium increase.** The primary factors **may include** are the following: (a) Auto-related factors (car garaging location, driving record, miles driven, number of drivers, and number of 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), premium capping, and rate changes (including those subject to rate stability rules, transition rules, or premium-capping rules, as referenced in WAC 284-24-130). **(b) Insurers shall include the primary factors in the premium change notice, if applicable to the premium increase, with any premium change notices processed for renewals effective on or after June 1, 2027.** Factors not listed above as primary are considered as optional factors. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.

5. As our previous written comments have consistently noted, the rule is complex and, in parts, ambiguous. This could result in companies inadvertently making errors as they seek to comply and provide timely, accurate information to policyholders. The penalties section for non-compliance of the rule does not provide a safe harbor and unfairly exposes insurers to litigation and/or administrative penalties under the unfair and deceptive practices chapters 284-30 WAC and RCW 48.30. In response to these concerns, we recommend the following **amendment** to proposed **WAC 284-30A-060**:

(1) Insurers who fail to adhere to this chapter **in good faith**, including the provisions....

Additional or alternate recommendation

As we have stated above, and consistent with our associations' prior testimony and written comments regarding the proposed Premium Change Transparency rule, we remain concerned that the proposed rule – and in particular the provisions in phase two that are scheduled to become effective in 2027 – will result in significant cost impacts for insurers and put some at risk of non-compliance due to the complexity of the provisions and the requirement to develop information some insurers may not currently use or retain – with questionable benefit to insurance consumers.

We suggest that the rule be modified to implement the “phase one” requirements, with the amendments recommended by the trades and our members, as set forth in the rule, beginning in June 2024. We suggest that the provisions included in “phase two” be removed from the proposed rule prior to adoption. Instead of implementing phase two, the OIC could conduct a study or inquiry of insurers to determine how many consumers have submitted requests for information regarding premium increases over the course of the first year (June 2024-June 2025), as well as some measurement of whether the information provided has been sufficient to reduce consumer complaints or inquiries made to the OIC and/or to insurance companies or producers. This would help inform the industry and the OIC whether additional premium change information is desired by or helpful to insurance policyholders.

Again for the record, we specifically wish to incorporate by reference in this submission comments and suggestions made in the NWIC-NAMIC comment letters submitted during the prepublication/interested party process. In particular, the NWIC-NAMIC letter dated February 6, 2023 includes unresolved concerns we have previously shared. We look forward to the OIC's further consideration of and response to the industry's stated concerns.

Thank you once again for the time and effort the OIC has invested in engaging with interested parties on this rulemaking. Please feel free to contact us if you would like to discuss our written testimony and our suggested revisions to the regulation or our suggested alternative approaches to providing consumers with meaningful and helpful information about changes in their insurance premiums.

Respectfully,

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