

FACT SHEET: New Premium Change Transparency Rules

The Insurance Commissioner has adopted new rules, found in Chapter 284-30A WAC, called the premium change transparency rules. These new rules provide direction to insurers on how to provide transparent explanations to auto and homeowner policyholders regarding why their premiums are increasing at renewal. This fact sheet provides a brief overview of the new premium change transparency rules, and is for informational purposes only.

Premium change transparency is defined in the new rules (WAC 284-30A-030(9)) as either “insurer explanations or notices provided to policyholders regarding premium increases occurring at renewal,” as required by the new Chapter 284-30A WAC. The rules go into effect in two phases. The first phase begins June 1, 2024, and requires insurers to provide reasonable explanations for premium increases, to policyholders upon written request. The second phase begins with insurer notice filings on January 1, 2027, and then requires insurers to provide premium change notices with reasonable explanations and primary factors beginning June 1, 2027.

Types of policies impacted by the premium change transparency rule

The scope of impacted policies are identified in the scope of applicability section WAC 284-30A-020. For the purposes of these rules, the affected insurance policies are:

1. Private passenger automobile policies (excluding policies that cover boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles) (WAC 284-30A-020(2)(a), (4)(a)); and
2. Homeowner’s policies (including mobile and manufactured homeowners, condominium owners and renter’s coverage) (WAC 284-30A-020(2)(b)).

Surplus lines, commercial auto policies, health plans, life, disability, and long-term care policies, and personal umbrella policies are exempt from these rules. (WAC 284-30A-020(4)(b, f)).

Phase 1 Insurer Requirements

Starting June 1, 2024, Chapter 284-30A WAC requires the following:

- Insurers must provide a “reasonable explanation” for premium increases when policyholders request, in writing, information about a premium increase that occurred at renewal. (WAC 284-30A-040(1); WAC 284-30A-050(4); WAC 284-30A-070(1)).

- A “reasonable explanation” means “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.” (WAC 284-30A-070(1)).
 - During Phase 1, a reasonable explanation can be general statements to consumers and does not require insurers to describe the increase to consumers using the primary factors standard defined in WAC 284-30A-070(2).

Phase 1 technical requirements for notices and explanations to consumers:

- Insurers must include a prominent disclaimer on the first page or view of renewal notices and renewal billing statements. Insurers must indicate in at least 12-point type bold font, the following similar language:

"Policyholders receiving an increase to their premiums at renewal can request an explanation by contacting their insurer in writing. Please see Chapter 284-30A WAC for additional information on your right to an explanation for your rate increase."
(WAC 284-30A-050(1)).

- Insurers must include insurer contact information and a statement explaining that the policyholder can contact their insurer to request additional information about their premium increase. (WAC 284-30A-050(2), (5)).
 - Insurers may, but are not required to, include the policyholder’s producer’s contact information in all premium change transparency notices and explanations. (WAC 284-30A-050(2)).
- Insurers must provide premium increase explanations in writing. Insurers can send written explanations through the U.S. mail, email or an electronic format. Electronic format means any form of telecommunication technology, including software and web-based applications. (WAC 284-30A-050(7)).
- Insurers must provide the explanation to policyholders no later than 20 calendar days from receipt of the written request. This includes any subsequent requests. (WAC 284-30A-050(4)(a), (6)).

Phase 2 Insurer Requirements

Starting June 1, 2027, Chapter 284-30A WAC requires the following:

- Insurers must provide premium change notices to policyholders when a renewal will result in a 10% premium increase or more, and for any premium increase when requested by the policyholder. (WAC 284-30A-040(2)).
- Insurers must provide policyholders with both reasonable explanations and the primary factors affecting the increase in their premium change notices. (WAC 284-30A-040(2))
 - Primary factors are “the specific rate and rating factors that caused the premium increase.” (WAC 284-30A-070(2)).
 - The primary factors that must be included in premium change notices when they are applicable include:

- Car garaging location, driving record, miles driven, number of drivers, number of vehicles, claims history, discounts, fees and surcharges, age, credit history, education, gender, marital status, occupation, property age, property location, property value, premium capping, and rate changes (including those subject to rate stability rules, transition rules, or premium-capping rules). (WAC 284-30A-070(2)(a)).

Phase 2 technical requirements for notices and explanations to consumers

- Insurers must provide the premium change notice automatically and no later than 20 calendar days prior to the effective date of the renewed policy when a renewal will result in a 10% premium increase or more. (WAC 284-30A-050(4)(b)).
- Insurers must provide the premium change notice no later than 20 calendar days from receipt of the policyholder's written request for any premium increase. (WAC 284-30A-050(4)(a)).
- Insurers must file their premium change notice forms with the OIC starting January 1, 2027, via the System for Electronic Rate and Form Filings (SERFF). (WAC 284-30A-060(3)).
- The OIC has created a premium change notice template to assist insurers with communicating premium increases to their insureds. (WAC 284-30A-080).
- An insurer can either use the premium change notice template in WAC 284-30A-080, or the insurer's own version of this notice. (WAC 284-30A-060(1)).
- If the insurer is using an alternative premium change notice, it must sufficiently meet or exceed the standards in Chapter 284-30A WAC. (WAC 284-30A-060(1)).

During Both Phases:

The following are true during both phases of the premium change transparency rule:

- A policyholder is permitted to ask for more information after receiving a premium increase explanation. Insurers must respond in writing and provide additional information for any policyholder's subsequent requests no later than 20 calendar days from receipt of the subsequent request. (WAC 284-30A-050(6)).
- Insurers may include estimated dollars in their explanations or premium change notices, as long as they also provide an explanation on the degree of accuracy for the estimated dollars, as specifically applied to the policy and premium increase. (WAC 284-30A-070(4)).
- Insurers may use composite rating variables, as long as they explain the premium increase attributable to the composite rating variable. (WAC 284-30A-070(3)).
- Insurers are permitted to provide an explanation for 100% of the premium increase if they choose to do so. (WAC 284-30A-070(6); WAC 284-30A-080).
- Insurers must retain records related to premium increase explanations according to RCW 48.05.280. Records must be retrievable and made accessible to the OIC during the retention period. (WAC 284-30A-050(10)).

- Insurers are not required to provide information from a usage-based insurance filing, or to disclose the contents of credit-based insurance scoring models, company placement criteria, or trade secret information. (WAC 284-30A-020(4)(c-d)).
- Violations of Chapter 284-30A WAC are unfair trade practices and are subject to the appropriate penalties and remedies in Chapter 48.30 RCW and Chapter 284-30 WAC. (WAC 284-30A-90(1)).