

# R 2022-01 Premium Change Transparency

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Second Draft | July 20, 2022

Comments Due to OIC at [RulesCoordinator@oic.wa.gov](mailto:RulesCoordinator@oic.wa.gov) by Close of Business (5 PM) on August 3, 2022

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## **WAC 284-30A-010 Purpose.**

- (1) Insurance information provided to the Commissioner in the form of consumer complaints and industry responses demonstrates policyholders have not received sufficient explanations or transparency from insurers about policyholders' premium changes.
- (2) These rules improve transparency in insurance pricing and rating by defining the scope of insurer responsibility to provide policyholders with Premium Change Notices and fair explanations communicating the specific factors impacting policyholder premiums.
- (3) The Premium Change Notice required by this chapter must be provided by the insurer to the policyholder indicating the exact premium changes related to renewals. Failure to provide the notice required by these rules is hereby defined as an unfair and deceptive practice in the business of insurance, under chapters 284-30 WAC and 48.30 RCW.

## **WAC 284-30A-020 Scope of Applicability.**

- (1) This chapter applies to authorized insurers with the following types of insurance:
  - (a) Private passenger automobile coverage;
  - (b) Homeowner's coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
  - (c) Dwelling property coverage.
- (2) These rules apply to property and casualty insurance policies in effect at the time of a premium change.
- (3) These rules apply to the renewal of an insurance policy and will not apply to the purchase of new policies or new insurance applications.
- (4) Exemptions:
  - (a) Insurers of health, disability, life, and long-term care are exempt from compliance with this chapter. Health care services contractors and health maintenance organizations are also exempt from compliance with this chapter.
  - (b) Nothing in these rules 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). 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.
  - (c) Information in a filing on "usage-based insurance" and about the usage-based component of the rate is confidential and exempt from these rules, pursuant to RCW 48.19.040.

- (5) These rules are not intended to contradict or conflict with the Fair Credit Reporting Act (15 U.S.C. Sec. 1681).
- (6) These rules are in addition to and separate from the disclosure requirements contained in chapter 284-24A WAC.

**WAC 284-30A-030 Definitions.**

When used in this chapter, these terms are defined as and have the following meaning:

- (1) "Insurance" has the same meaning as provided in RCW 48.01.040.
- (2) "Insurance policy" or "insurance contract" means any contract of insurance, indemnity, or suretyship, issued, proposed for issuance, or intended for issuance by any insurer.
- (3) "Insurer" means any individual, corporation, association, partnership, reciprocal exchange, interinsurer, fraternal mutual insurer, fraternal mutual life insurer, and any other legal entity engaged in the business of insurance, authorized, or licensed to issue or who issues any insurance policy or insurance contract in this state. "Insurer" does not include health care service contractors, as defined in RCW 48.44.010, and health maintenance organizations, as defined in RCW 48.46.020.
- (4) "Policyholder" means either the persons, entities, or both, listed in the declarations page as the named insured in an insurance policy. Policyholder does not include other covered individuals or lienholders.
- (5) "Premium" has the same meaning as provided in RCW 48.18.170.
- (6) "Policy period" means the time or period during which insurance coverage is in effect.
- (7) "Premium Change Notice" means the form and provisions provided by WAC 284-30A-050.
- (8) "Written" or "in writing" means any retrievable method of recording an agreement or document, and, unless otherwise specified, includes paper and electronic formats.

**WAC 284-30A-040 Premium Change Notice Instructions.**

- (1) Insurers must use the Premium Change Notice provided in this chapter to notify policyholders of a premium increase of ten percent or more, or upon request by the policyholder for any premium change.
- (2) Insurers can use alternative notification forms for compliance with this chapter. Insurers must file any alternative Premium Change Notice with the Commissioner, so the notice can be reviewed for sufficiently meeting or exceeding the standards outlined in this chapter.
- (3) Insurers must file the Premium Change Notice with the Commissioner, whether using the notice provided in WAC 284-30A-050, or using an alternative version of the notice.
- (4) Notice filings and requests to use alternative notices must be submitted electronically in the System for Electronic Rate and Form Filings (SERFF).
- (5) Failure to use the Premium Change Notice in WAC 284-30A-050, or acquire Commissioner approval to use alternative insurer notices, is a violation of this chapter.
- (6) Premium Change Notice Instructions to Insurers:

- (a) **Instructions to Insurers:** Insurers must provide a Premium Change Notice to each policyholder receiving a premium increase of ten percent or more, or upon the policyholder's request.
- (i) The insurer must send the notice to the policyholder **at least 20 days** prior to the effective date of the premium change.
  - (ii) The insurer may send the notice individually or with renewal notices.
  - (iii) The insurer must send the notice in writing, and can send the notice via postal mail, if proof of mailing is maintained, or may deliver the notice in email or electronic format, if the policyholder has consented to receive notifications electronically. All electronic notices and deliveries must comply with chapter 48.185 RCW.
  - (iv) This notice must include an itemized list of all rates, coverages, and rating components that have changed when compared to the previous policy term, and contain the dollar or percentage impact each revised variable has on the overall premium, so that one hundred percent of the premium change is clearly explained in certain and listed terms. All rates, coverages, and rating variables must be listed in descending order of dollar or percentage impact.
  - (v) The insurer must communicate rates, coverages, and rating variables in terms that are understandable to an average policyholder.
  - (vi) Insurers may show separate impacts by the different risks being covered and the type of coverage for each. These impacts must also be listed in descending order of dollar or percentage impact.
  - (vii) Insurers must add or remove rows and explanations as necessary to improve transparency with the policyholder, so that all impacts of a premium change are identified and explained in the Premium Change Notice.
  - (viii) Note that underwriting tier, driver class, risk score, household composition, or any other composite rating variable on their own are not acceptable as sufficient descriptions in the Premium Change Notice. If multiple rating variables define the underwriting tier, then the premium change caused by each of those rating variables must be considered and explained separately. All rating variables listed must be sufficiently explained so that the policyholder can understand each and determine if steps can be taken to limit the impact on their premium change.
  - (ix) The records related to Premium Change Notices are subject to RCW 48.05.280. These records must be retrievable and made accessible to the Commissioner during the retention period.
  - (x) These rules do not prohibit an insurer from sending disclosures for all premium increases, beyond those disclosures required in this section.

**WAC 284-30A-050 Premium Change Notice Contents.**

- (1) This section outlines the explanation required and minimum amount of information to include in the contents of the Premium Change Notice. Insurers are permitted to provide additional information beyond these requirements.

**(2) Premium Change Notice**

**LICENSED INSURANCE COMPANY – NAME, ADDRESS, & NAIC Number**

**Policyholder Name, Policy Type, Covered Risks, Policy Number, Policy Period, and Effective Date**

We are notifying you of a premium change to your insurance policy. Your premium for this insurance policy has changed by (Dollar or Percentage Amount). (Insurers must select the appropriate information that applies to the insurance transaction requiring a Premium Change Notice)

- **Your insurance policy is impacted by** (insurers insert applicable insurance information here, including but not limited to: reasons for increased/decreased premiums, like higher/lower associated risks, claims history, making monthly installments instead of annual payments, surcharges, filed rate changes, and penalties), **which will cause the price of your insurance to change.**
- **According to our current rating plan filed with the Washington State Office of the Insurance Commissioner, your premium has changed from (Dollar Amount) to (Dollar Amount), due to the specific factors outlined below.**
- **We are capping or limiting your premium change to (Percentage Amount) per policy period over the next (Number) renewals, after which the entire remaining premium change will be uncapped. Rather than implementing the entire premium change during a single policy period, we are phasing in the remaining premium changes for your policy over the next (Number) policy renewals. (Insurers must include this section if the insurance company uses rate capping in their rating plan)**
- **Your future premiums may increase or decrease if you change your coverage, if there are changes in your risk characteristics that occur during this timeframe, or by future rate change filings made by our company in your state.**
- **Below is your premium change, including a breakdown of each factor that was used to determine your new premium and the dollar or percentage of impact for each:**

<u>Prior Policy Term Premium</u>	<u>Total Amount</u>		
<b>Reasons</b>	<b>Percentage Change to Premium:</b>	<b>Dollar Change to Premium:</b>	<b>Insurer Explanations</b>
<u>Rating Variable 1</u>	(+ or - %)	(+ or - \$)	(Explanation)
<u>Rating Variable 2</u>	(+ or - %)	(+ or - \$)	(Explanation)
<u>Rating Variable 3</u>	(+ or - %)	(+ or - \$)	(Explanation)
<u>Rating Variable 4</u>	(+ or - %)	(+ or - \$)	(Explanation)
<b><u>Total Renewal Policy Term Premium</u></b>			

If you have any questions, please contact us via telephone (), email (), postal mail (), or visit our website ().

**WAC 284-30A-060 Penalties for Noncompliance.**

- (1) Any insurer who fails to adhere to the rules contained within this chapter, including the provisions on timing, notice, and content requirements, is considered to have committed unfair and deceptive practices, and will be subject to the remedies and penalties contained in chapters 284-30 WAC and 48.30 RCW.
- (2) Insurers must not enter into any agreement, arrangement, scheme, or understanding, or in any other manner pursue any course of conduct, designed or intended to avoid compliance with the rules contained in this chapter.

**WAC 284-30A-070 Severability Clause.**

- (1) If any section or portion of a section of these rules or the applicability thereof to any person or circumstance is held invalid by a court, the remainder of the rules or the applicability of the provision to other persons or circumstances shall not be affected.