

OUR MEETING WILL BEGIN SHORTLY

WELCOME TO THE TRANSPARENCY & READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP

Dec. 11, 2023

VIRTUAL ATTENDEES

- Audio will be muted upon entry
- If virtual attendees would like to speak, please use the "Raise Hand" feature and we will let the Chair know you'd like to speak
- Enter with video on or off (your choice)
- Use the "Chat" feature for questions, comments, or assistance
- If you have joined by phone, to mute and unmute your line, press *6
- For additional help, please contact NAIC Technical Support team at help@naic.org or call (816) 783-8500

Draft date: 12/8/23

Virtual Meeting

TRANSPARENCY AND READABILITY OF CONSUMER INFORMATION (C) WORKING GROUP

Monday, December 11, 2023

2– 3 p.m. ET / 1– 2 p.m. CT / 12 – 1 p.m. MT / 11 a.m. – 12 p.m. PT

ROLL CALL

Joy Hatchette, Chair	Maryland	Melissa Robertson	New Mexico
Jimmy Gunn	Alabama	Kathy Shortt	North Carolina
Elizabeth Merrill	Alaska	Janelle Middlestead	North Dakota
Ken Allen	California	Cuc Nguyen	Oklahoma
Michael Conway/Bobbie Baca	Colorado	Tricia Goldsmith	Oregon
George Bradner	Connecticut	David Buono	Pennsylvania
Angela King	District of Columbia	Doris Diaz	Puerto Rico
Julie Rachford	Illinois	Rachel Chester	Rhode Island
Julie Holmes	Kansas	Vickie Trice/Jennifer Ramcharan	Tennessee
Ron Henderson	Louisiana	Mark Worman/Marianne Baker	Texas
Daniel Bryden	Minnesota	Vicki Jones/Mike Kemlock	West Virginia
Carrie Couch	Missouri		

NAIC Support Staff: Anne Obersteadt

AGENDA

1. Consider Adoption of its Nov. 20, 2023, Meeting Minutes — *George Bradner (CT)* Attachment 1
2. Hear an Update on the Drafting of Premium Increase Transparency Guidance—*George Bradner (CT)* Attachment 2
3. Hear a Presentation on Preliminary Research on Assessing Readability of Insurance Policies—*David Eckles and Tim Samples (University of Georgia)* Attachment 3
4. Discuss Any Other Matters Brought Before the Working Group — *George Bradner (CT)*
5. Adjournment

Consider Adoption of the Nov. 20, 2023, Meeting Minutes

Attachment #1

George Bradner (CT)

Draft: 11/27/23

Transparency and Readability of Consumer Information (C) Working Group
E-Vote
November 20, 2023

The Transparency and Readability of Consumer Information (C) Working Group conducted an e-vote that concluded Nov. 20, 2023. The following Working Group members participated: Joy Hatchette, Chair (MD); Jimmy Gunn and Stephanie Tompkins (AL); Elizabeth Merrill (AK); Ken Allen (CA); George Bradner (CT); Angela King (DC); Julie Rachford (IL); Sara Hurtado (KS); Carrie Couch (MO); Janelle Middlestead (ND); Cuc Nguyen (OK); Tricia Goldsmith (OR); Rachel Chester (RI); Vickie Trice (TN); Marianne Baker (TX); and Mike Kemlock (WV).

1. Adopted its Sept. 29 Minutes

The Working Group conducted an e-vote to consider adoption of its Sept. 29 minutes (Attachment One-A). During this meeting, the Working Group took the following action: 1) heard a presentation from Washington on its recently adopted premium change transparency rule, which requires insurers to disclose to insureds the reasons for their premium change using consumer-friendly language; and 2) heard from Indiana on H.B. 1329, which makes a material change to an insured's personal automobile or homeowners policy to provide a written notice explaining the principal factors for the change. The motion passed unanimously.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/Fall 2023/Transparency/E-Vote/11-Transparency.docx

Hear an Update on the Drafting of Premium Increase Transparency Guidance

Attachment #2

Goerge Bradner (CT)

FINAL VERSION OF DISCLOSURE NOTICE

Renewal Premium that is not a result of a capping procedure employed by the insured

Scope of Applicability

1. Disclosure applies to policies renewed on or after [Enter Date].
2. Disclosure applies to authorized insurers with the following types of personal insurance policies:
 - 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 for owner occupied dwellings only
3. Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
4. Exemptions
 - a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
 - b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
 - c. This chapter does not apply to personal umbrella policies.

Notification Thresholds

1. Phase One: Beginning [enter date], and effective until [enter date phase one expires – such as 3 years], insurers shall provide reasonable explanations for changes in premium for policies as described in the Scope of Availability, upon written request by the policyholder, for any premium increase occurring at renewal.
2. Phase Two: Beginning [enter date phase two begins], insurers shall provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies. Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent premium increase or more, or upon written request by the policyholder for any premium increase occurring at renewal.

Administrative and Notification Requirements

1. For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a prominent disclaimer may be required to be included on the first page, or view of renewal notices, and renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.
2. For the second phase, insurers must automatically send disclosure notice at least 30 days prior to the renewal date if the insured receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email, if the insured has elected to receive email notifications.
3. For both phases:

- a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.
 - b. Insurers should respond to an insured's written request for explanation of premium change no later than 30 calendar days from the receipt of the written request.
 - c. Requests from an insured for subsequent additional information should be responded to no later than 20 calendar days. Insurers should respond prior to the renewal date.
4. The effective date of receipt and response will be in accordance with each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp.
5. Insurers should include their contact information in all premium change notifications and explanations to policyholders, and may include the producer's (if any), contact information.
6. Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent via postal mail or electronically.

Communication Standards

1. Insurers should provide sufficient information, including primary factors, in terms that are understandable to an average policyholder. Primary factors include:
 - a. Auto-related factors: car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
 - b. Property related factors: age, location, and value,
 - c. Demographic factors: age, credit history, education, gender, marital status, and occupation,
 - d. Other factors: claims history, discounts, fees and surcharges, premium capping, and rate changes.
 - e. 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.
2. For the second phase, 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.
3. If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.
4. If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve, as specifically applied to that policy and premium increase.
5. Insurers may include premium change explanations for all premium increases beyond those required.
6. If an insurer already has a notification process acceptable to the State's regulator, the insurer could be allowed to continue to use the process that is in place.

Phase 2: Auto/Homeowner's Insurance Premium Increase Notice Example

Your auto/homeowner's insurance premium is increasing.

Your current premium is \$1,175.

Your renewal premium is \$1,250.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

Reasons for your premium increase and the dollar impact

- Reason 1 raised your premium \$A
- Reason 2 raised your premium \$B
- Reason 3 raised your premium \$C
- Reason 4 raised your premium \$D
- Reason 5 raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

FINAL VERSION OF DISCLOSURE NOTICE

Renewal Premium that is a result of a capping procedure employed by the insured

Scope of Applicability

- (1) Disclosure applies to policies renewed on or after [Enter Date].
- (2) Disclosure applies to authorized insurers with the following types of personal insurance policies:
 - 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 for owner occupied dwellings only
- (3) Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
- (4) Exemptions
 - a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
 - b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
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- (4) If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve, as specifically applied to that policy and premium increase.
- (5) Insurers may include premium change explanations for all premium increases beyond those required.
- (6) If an insurer already has a notification process acceptable to the State's regulator, it could be allowed to continue to use the process that is in place.

Phase 2: Auto Insurance Premium Increase Notice Example

Your auto insurance premium is increasing.

Your current auto insurance premium [for what period] is \$1,175 [how often].

Each insurer files a rating plan with the state insurance department for their approval. According to the rating plan we filed with your state, your premium would increase to \$2,121 the next time you renew your policy, which is scheduled for [date].

However, the next time you renew your policy your premium increase will be limited to only \$88, resulting in a renewal premium of \$1,257.

Your premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121.

Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

Reasons for your premium increase and the dollar impact

- Reason 1 raised your premium \$A
- Reason 2 raised your premium \$B
- Reason 3 raised your premium \$C
- Reason 4 raised your premium \$D
- Reason 5 raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Phase 2: Homeowner's Insurance Premium Increase Notice Example

Your homeowner's insurance premium is increasing.

Your current homeowner's insurance premium [for what period] is \$1,175 [how often].

Each insurer files a rating plan with the state insurance department for their approval. According to the rating plan we filed with your state, your premium would increase to \$2,121 the next time you renew your policy, which is scheduled for [date].

However, the next time you renew your policy your premium increase will be limited to only \$88, resulting in a renewal premium of \$1,257.

Your premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121.

Remember that there also are other reasons your homeowner's insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as your number of accidents or violations), your premium could increase or decrease from the premium amounts stated above.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

Reasons for your premium increase and the dollar impact

- Reason 1 raised your premium \$A
- Reason 2 raised your premium \$B
- Reason 3 raised your premium \$C
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Hear a Presentation on Preliminary Research on Assessing Readability of Insurance Policies

Attachment #3

David Eckles and Tim Samples (University of Georgia)



ASSESSING READABILITY OF INSURANCE POLICIES

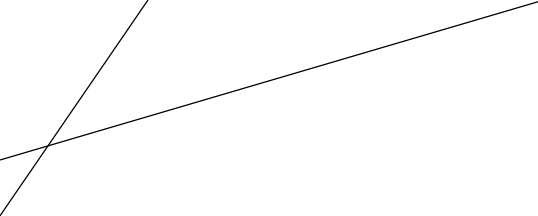
DAVID L. ECKLES
TIM R SAMPLES
KATHERINE IRELAND



New Facebook Terms Of Service Includes Compulsory Conscription Into Zuckerberg's Upcoming War Against Government

| 10/01/19 2:53PM





It is generally recognized the insured will not read the detailed, cross-referenced, standardized, mass-produced insurance form, nor understand it if he does.

— C&J Fertilizer, Inc. v. Allied Mut. Ins. Co., 227 N.W.2d 169, 174 (Iowa 1975)

RESEARCH OBJECTIVES

- Estimate consumers' ability to understand insurance contracts with linguistic metrics
- Improve methods for assessing difficulty via the linguistic complexity (“readability”) of insurance contracts
- Assess the impact of regulatory environments on the complexity of insurance contracts




Reading Ease Score	Descriptive Categories	Estimated Reading Grade
90 – 100	Very Easy	5 th Grade
80 – 90	Easy	6 th Grade
70 – 80	Fairly Easy	7 th Grade
60 – 70	Standard / Plain English	8 th and 9 th Grade
50 – 60	Fairly Difficult	10 th to 12 th Grade (High School Sophomore to Senior)
30 – 50	Difficult	In College
0 - 30	Very Difficult	College Graduate

FRE BASICS

- 0-100 scale
- Word length: proxy for lexical difficulty
- Sentence length: proxy for syntactic complexity

LIMITATIONS OF FRE

- Narrow inputs
- Lacking in construct validity
- Weak predictive power/testing data
- Outdated



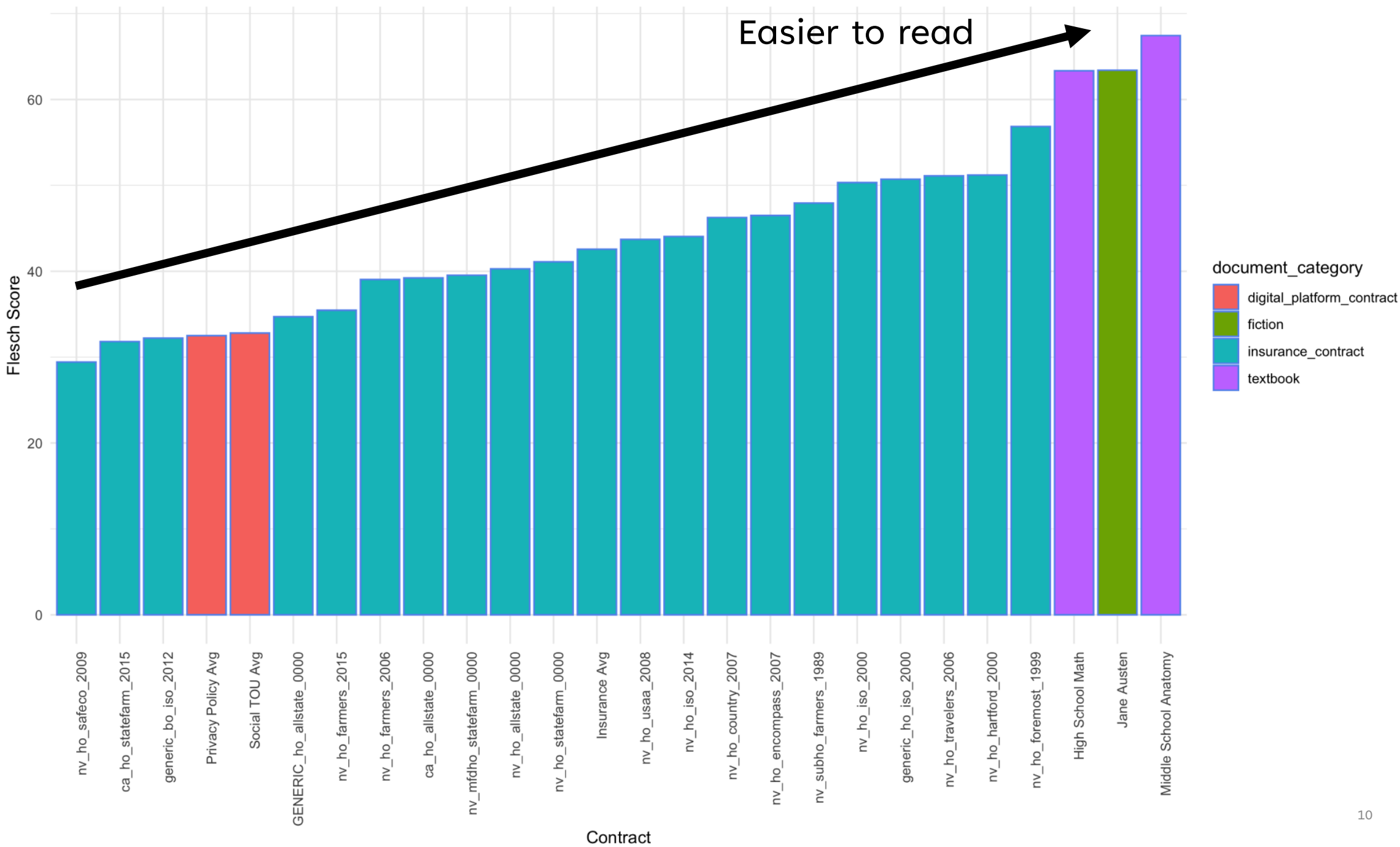
Flesch Reading Ease

206.835 - 1.015 $\left(\frac{\text{total words}}{\text{total sentences}} \right) - 84.6 \left(\frac{\text{total syllables}}{\text{total words}} \right)$

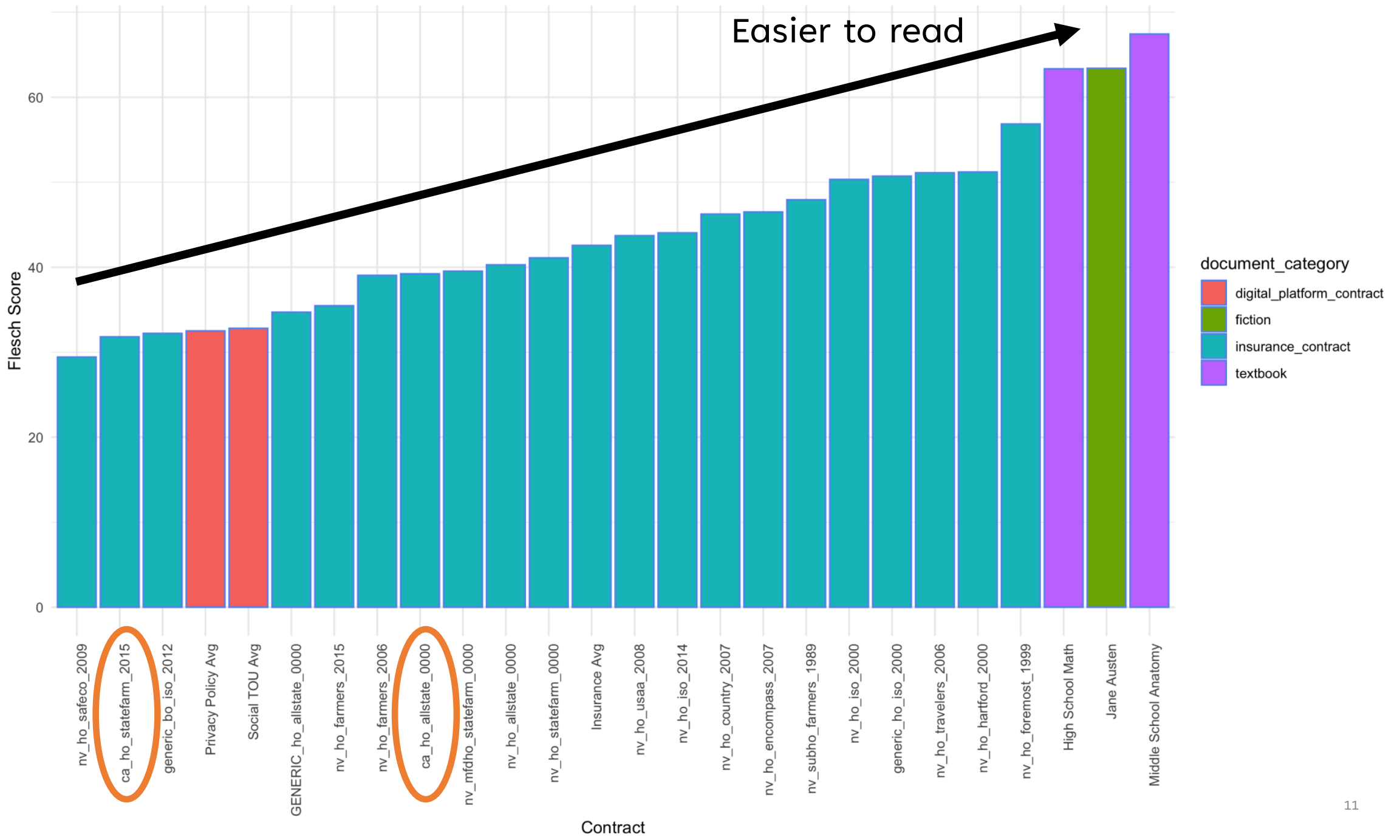
INITIAL POLICIES STUDIED

- Homeowners policies from Nevada
 - Allstate, Country Financial, Encompass, Farmers, Foremost, Hartford, Safeco, State Farm, Travelers, USAA
- Homeowners policies from California
 - Allstate, State Farm
- ISO Forms
 - Homeowners, Businessowners (BOP)

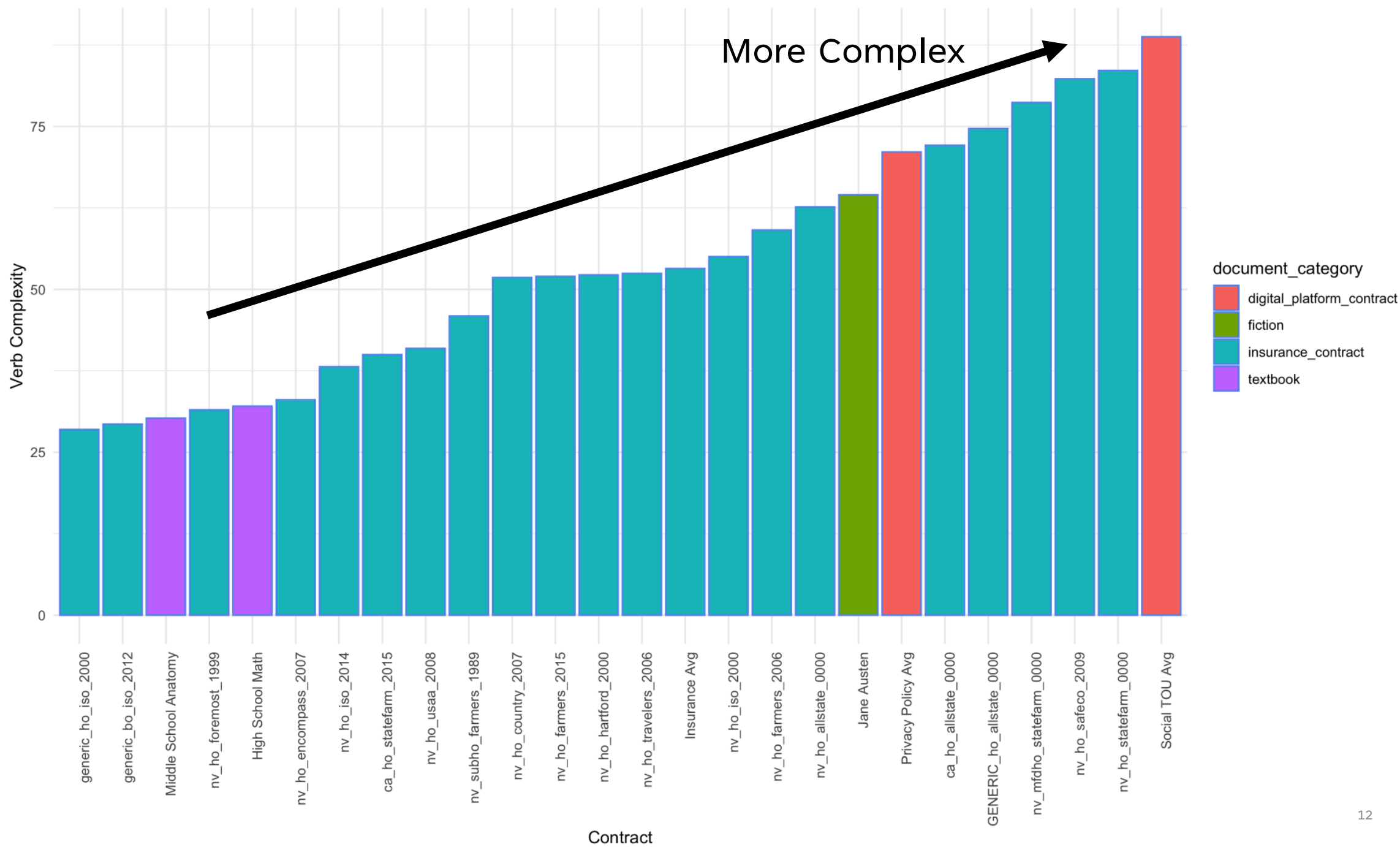
Readability



Readability

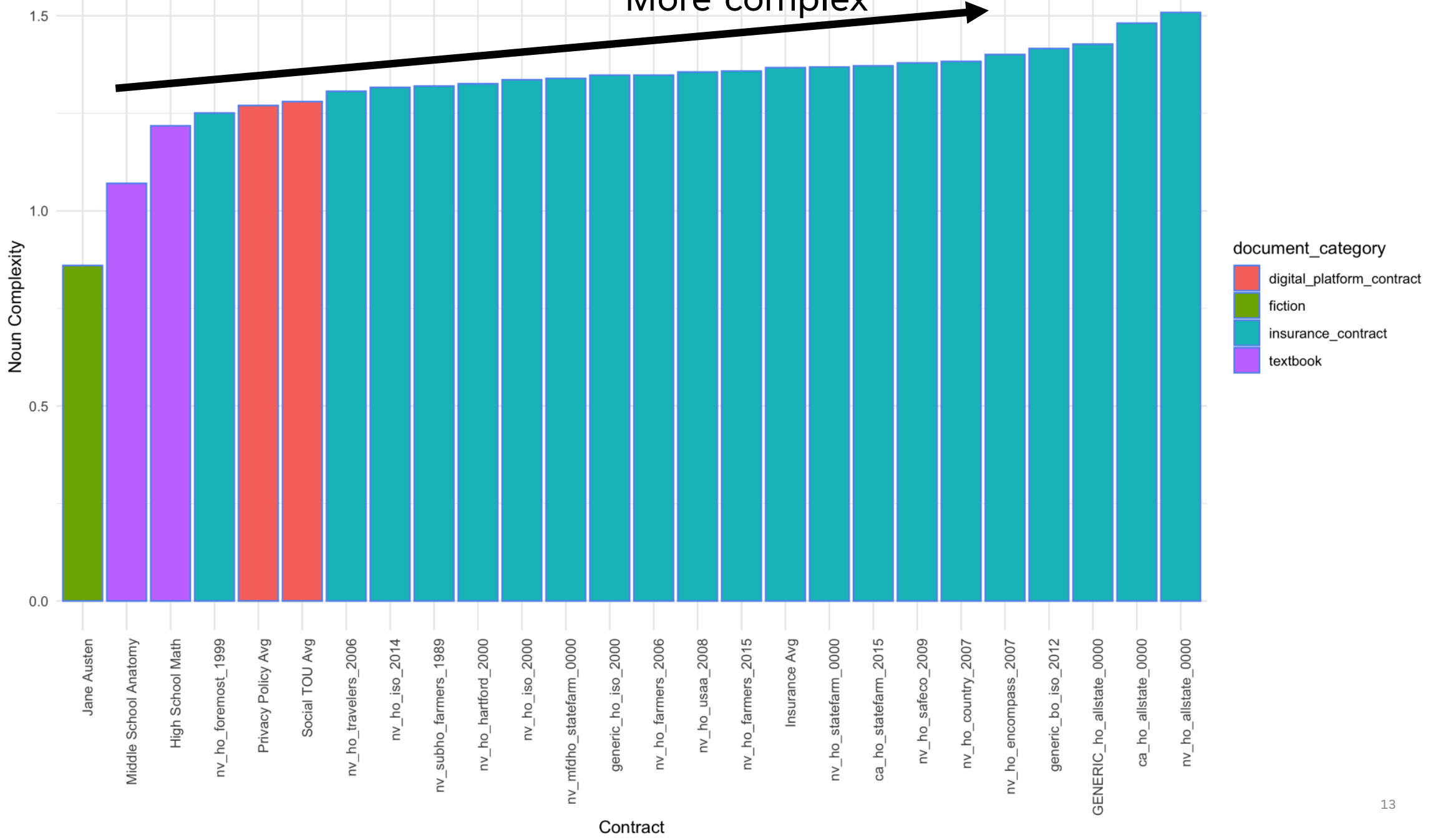


Verb Complexity



Noun Dependent Complexity

More complex



CURRENT FINDINGS

- Insurance contracts are relatively hard to read
- Offer more advanced assessment of readability
- Anecdotal evidence of state variation?

GOALS

- Do state-level regulations help?
- Are “antiquated” scoring goals hindering readability?
- Do insurers vary policy readability by state? By policy types?
- How can we help you?



THANKS FOR
LISTENING!

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Discuss Any Other Matters

George Bradner (CT)

The logo for the National Association of Insurance Commissioners (NAIIC) is centered on the page. It features the acronym "NAIIC" in a large, bold, white, sans-serif font. The letter "C" is stylized with a double outline, creating a circular effect. The background consists of several overlapping, semi-transparent orange circles of varying shades, creating a dynamic, layered effect.

NAIIC

**NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS**