

HB 2563 -1 STAFF MEASURE SUMMARY

House Committee On Commerce and Consumer Protection

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/11, 3/27

WHAT THE MEASURE DOES:

The measure requires an insurer to give a clear and reasonable explanation why the premium has increased when a qualifying policy is renewed. A qualified policy means certain homeowner insurance and motor vehicle liability insurance policies. The measure requires an insurer to respond within 20 days. The Director of the Department of Consumer and Business Services determines what the written explanation will look like and what it contains within some limitations. The language of the explanation must not be technical and be understandable to the average policy holder. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- How an explanation of a premium increase would be helpful to consumers
- The current practice of giving an explanation of a premium increase by insurers
- The cost to the industry to give an explanation of a premium increase

EFFECT OF AMENDMENT:

-1 The amendment defines a qualified policy as homeowner insurance and personal insurance removing motor vehicle liability insurance. The amendment removes section three and moves the factors that contribute to a clear and reasonable written explanation of a premium increase into section two of the measure. The amendment requires the department of consumer and business services (department) to make rules to establish when a factor significantly contributes to a premium increase. The amendment also requires that the department make rules requiring periodic data reporting from insurers. The amendment makes the operative date of the measure September 1, 2026.

Fiscal Statement: Minimal Fiscal Impact

Revenue Statement: No Revenue Impact

BACKGROUND:

An insurance premium is the amount of money an individual or business pays for an insurance policy. Insurance companies consider a variety of factors to decide how much premium they will charge a given policyowner for a given set of coverages. There are currently many different approaches insurers take to provide explanation of what factors determined the premium for a policy.