

February 11, 2025

Rep. Nathan Sosa, Chair
Rep. Farrah Chaichi, Vice Chair
Rep. Virgle Osborne, Vice Chair
Members of the House Commerce & Consumer Protection Committee

RE: HB 2563 – Insurance Premium Transparency

Dear Chair Sosa and Members of the Committee,

The **Northwest Insurance Council (NWIC)**, the **American Property Casualty Insurance Association (APCIA)** and the **National Association of Mutual Insurance Companies (NAMIC)** – “the P&C trades” – whose members collectively underwrite the vast majority of personal lines property, vehicle and liability insurance policies in force in Oregon today, are pleased to share the following comments and recommendations with regard to proposed HB 2563.

The trades and our insurance company members acknowledge recent heightened interest among policymakers in improving communication and information provided by P&C insurance companies to producers and consumers, driven by unusually significant insurance rate (and corresponding premium) increases that are the result of high inflation and rising claims costs. Insurers are keenly aware of current market conditions and the impact of premium increases on their policyholders.

Oregon legislators may be new to this proposed legislation, but Property & Casualty insurers are not. **For more than two years**, our industry worked collaboratively with the Washington State Office of the Insurance Commissioner (OIC) as they developed new regulations aimed at providing additional information to policyholders facing home, condominium, renters, auto and other insurance policy premium increases at renewal. We are aware that proposed HB 2563 is based largely on the language of those Washington insurance department regulations.

The OIC regulations were adopted as a two-phase rule in 2023. **Phase 1** of the Premium Increase Transparency Rule went into effect June 1, 2024. Beginning on that date, P&C insurers were required to:

- ✓ Include in renewal and billing notices a statement informing the insured of the right to request additional information about a premium increase by contacting the insurer in writing, and to include contact information for consumers in these notices; and
- ✓ on receipt of a request from any policyholder, provide a reasonable explanation for any premium increase at renewal.
- ✓ “Reasonable explanation” is defined as a communication standard that provides “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.”

As adopted, beginning on June 1, 2027, **Phase 2** of the WA OIC rule would require insurers to continue to include disclaimers on renewal and billing notices and to provide “reasonable explanations” regarding premium increases to any policyholder on request. But it would further require insurers to provide to **every** policyholder receiving a premium increase of 10 percent or

more a much more detailed and individualized analysis of not less than four factors contributing to the premium increase. These much more extensive analyses would be sent to every policyholder with a premium increase of 10 percent or more, regardless of whether or not the information was requested.

These elements, with some changes, are mirrored in HB 2563 as currently before the committee. But Oregon legislators should be aware that Washington may soon change direction with Phase 2 of the OIC rules, based on the state's experience with the implementation and impact of Phase 1.

In October 2024, in response to outreach from insurers and after measuring (1) responses from Washington insurance consumers to Phase 1 and (2) the potential cost impact of implementing Phase 2, Washington's Insurance Commissioner proposed to delay implementation of "Phase 2" of the rules for an additional two years (until June 2029).

In announcing the proposed rule delay, then-Commissioner Mike Kreidler said: "Moving the Phase 2 timing allows us to collect more data on Phase 1 and work with industry to better understand the technical and administrative aspects of implementing Phase 2."

To find out how Phase 1 is working, the Washington OIC recently issued a formal survey to insurers to gather data on how many/what percentage of policyholders have requested additional information after a premium increase. The results of that survey are due to the department in April.

But we already know – from informal responses from insurers – that less than one-tenth of one percent of insureds who received premium increases on affected policies since June 1 contacted their insurer to seek additional information.

We also know from our member companies that policyholders who *did* request additional information were generally satisfied with the information they received in response. Consumers who sought information about their premium increase wanted to know more about actions they could take to reduce their premium and were not looking for a detailed actuarial analysis of rating factors leading to their premium increase.

Our experience in Washington state suggests that policyholders want – and should have the right to request and receive – understandable, relevant and *actionable* information from their insurer when they receive a premium increase at renewal. We believe the language in Section 2 of HB 2563 targets this need precisely, by:

- ✓ requiring insurers to notify insureds of their right to additional information on request if their premium increases, and
- ✓ requiring insurers to respond to a request for premium increase information, using language understandable to the policyholder, within 20 days.

But as drafted, Section 3 of the bill goes further, requiring specific rating factors to be analyzed and explained, and requiring insurers to provide these much more detailed analyses to every policyholder whose premium increases by 10 percent or more, whether or not it is requested by the policyholder.

The requirements in Section 3 exceed what experience tells us policyholders actually want, and the cost to insurers to comply will be extraordinary, which we fear will only contribute to higher costs that are ultimately paid by insurance consumers.

It is with this experience and these concerns in mind that insurers have approached Commissioner Stolfi and the Division of Financial Regulation to consider reasonable amendments to HB 2563. Those discussions are continuing in good faith, and the precise language of proposed amendments is still coming into focus. Our goal is to simplify the language of the bill, reduce the proposal to a single phase of implementation (instead of two) and focus on providing clear and actionable information specifically to policyholders whose premiums have been increased and who want to know more about why.

We look forward to continuing our engagement with DCBS/DFR and this committee to improve HB 2563, as we work toward legislation that reasonably addresses the need for greater premium transparency for consumers.

Please contact any or all of us if you have any questions or would like to discuss our concerns and/or suggestions in greater detail.

Respectfully submitted,

Kenton Brine

President
NW Insurance Council
Kenton.brine@nwinsurance.org
360.481.6539

Brandon Vick

Regional Vice President, Pacific Northwest Region
National Association of Mutual Insurance Companies
bvick@namic.org
360.609.4363

Denni Ritter

Vice President, State Government Relations
American Property Casualty Insurance Association
denneile.ritter@apci.org
209.968.9107