PREMIUM CHANGE EXPLANATIONS (Part BB of TED):

- How should carriers consider inflation guard in their calculations?

  Inflation guard is not considered as insured value added, since the same property is being insured. Therefore a 2356(a) notice is required. In the FAQ there is an example of insured value added provided, which is "an increase coverage." That being said, there is a view being expressed that insured value added is when there is a new property being added to a policy (like a new car). The term has the same meaning as used under Insurance Law 3426 with regards to a conditional renewal notice, but is not specifically defined in 3426.

- What constitutes a written request for a written explanation? Are companies permitted to direct these requests through a specific channel? For example, if someone sends a letter complaining about their rate but does not specify that they were directed to complain due to the law, how would the state view those inquiries?

  A general complaint would not be considered a written request, unless an insured requests the information within the complaint. The insured should not have to reference 2356 to constitute a written request. Carriers can direct an insured to any channel the company desires.

- Can companies send the notice to everyone on renewal?

  A company should not send a notice about rate increase or decrease if the insured did not, in fact, have a rate decrease or increase. The notice must be personally applicable.

- How should mid-term endorsements be treated in regard to this law if companies already tell policyholders why the premium changed on endorsement? Would companies then have to include it again in the renewal explanation?

  More specifics are needed regarding the type of endorsement and which notice is being referenced. There is acknowledgement that a mid-term endorsement usually adds value.

- What are considered primary rating factors? Will DFS define the term more specifically?

  Subsection 2356 © provides examples. An exhaustive list is not being generated.

- If many factors impacted a rate change, would a company need to list all of them? Does each variable have to outline the specific premium percentage change?

  A company only has to list the primary factors and does not need to specify the percentage breakdown for each factor.

- How do we handle escrow billed customers that don't receive a premium bill – i.e. when the escrow billed customers are not sent a bill and the bill is distributed directly to the mortgagee?

  If the premium bill is sent to the mortgagee, it should accompany that notice as required by 2356.

- The premium increase notices are not required to be filed and approved by DFS, correct?

Correct.

- The 2356(a) requirements for the premium increase letter for personal lines are triggered if the premium increases in excess of 10%, but we don't see that on the 2356(b). So it seems for commercial lines, we need to send a notice with the billing on all renewals. Is that correct?

  Yes. Companies are not required to provide explanation under 2356(b) unless requested in writing by the insured but must provide notice that an explanation can be requested.

- For commercial lines, if the premium increase is in excess of 10%, can the insurer rely on the conditional renewal notice in lieu of including section 2356(b)(1) notice accompanying the premium bill – the same as subsection (a) for personal lines – or does the commercial lines insurer have to include the 2351(b)(1) notice *regardless of whether* a conditional renewal notice is also sent?

  Answer is in <u>FAQ</u>. No, an insurer may not mail or deliver the conditional renewal notice required by Insurance Law Section 3426(e) in lieu of the Section 2356(b)(1) notice. An insurer must mail or deliver both notices as applicable.

- Is it correct that Insurance Law § 2356(b)(1)'s notice requirement does not apply where a commercial policy covers risks in multiple states, the policyholder's principal business address is outside New York, and the policy is neither issued nor delivered in New York?

  Answer is in <u>FAQ</u>. Insurance Law Section 2302(a) states in relevant part that Insurance Law Article 23 applies to insurance "written on risks or operations in this state." Therefore, the notice required by Insurance Law Section 2356(b)(1) applies to any policy covering motor vehicles principally garaged in this state, even if the policyholder's principal business address is outside New York and the policy is neither issued nor delivered in New York.

- Regarding Section 2356(b)(1) – instead of offering a policyholder the opportunity to request in writing an explanation of premium increase, if an insurer would prefer to automatically provide in all cases the same information that is required in Section 2356(a), would that satisfy the requirements?

The law states that the notice in (b)(1) has to be provided. If the company wishes to provide the information in (a) automatically, the information must be tailored to the individual policy, but there is still a requirement to provide the (b)(1) notice as well.

- For vacant residential risks or builder's risk policies where a vacancy surcharge or similar rating factor applies, would these policies fall within the scope of §2356 for residential property since they are residential by classification, but not currently occupied as such during the policy term?

  There is a view that not all builder's risk policies provide coverage for "real property used predominantly for residential purposes" as a policy for foundation work or building materials would not fit this definition. But if a policy does cover "real property used predominantly for residential purposes," the policy would be subject to 2356 and the statute does not differentiate between occupied or unoccupied.

- In 2356(b)(1) "predominantly" is used when describing buildings used for residential purposes. Is there clarification on what predominately means?

  The language is based on 3425; each scenario is fact specific. There is not a specific legal definition.

- There are policies that are billed through an agent or broker. There is not a specific premium notice that is sent to the insured in relation to these types of policies. Is there clarification on how these types of policies should be handled?

  The law requires notices to be sent with the premium bill. The notice should be sent to the broker/agent with what is provided in association with the premium bill. The agent/broker should then forward the notice to the insured with the premium bill. If providing a "report" with premiums, the notice should accompany it.