



Premium Changes Due to Emergency Rule

September 21, 2021



OFFICE of the
**INSURANCE
COMMISSIONER**
WASHINGTON STATE

What is an insurance rate?

Insurance rate is a unit of cost that is multiplied by an exposure base, often using multivariate statistical models, to determine an insurance premium.

Some common rating factors include:

| | | | | |
|--------------------------------------|---|---------------------------------|-----------------------------------|---|
| Credit History | Age | Gender | Marital Status | Moving Violations |
| Claims History | Occupation | Education level achieved | Prior BI limits | Multi-Car |
| Multi-Policy | Paid in Full | Paid in Installments | Accident Prevention Course | Any Lapse of Coverage |
| Length of Tenure with Insurer | Length of Residency at same location | Paperless option | Number of Vehicles | Annual Mileage |
| Rideshare Use | Business Use | Marketing Association | Amount of Coverage | Agent Service Level |
| Location | Home/Mobile Home Ownership | Good Student | Distant Student | Preferred, Standard, or non-Standard Insurer |

How does the Emergency Rule work?

The Emergency Rule neutralizes the use of credit history on homeowner's, renter's and personal auto insurance rates for three years after the conclusion of the public health emergency.

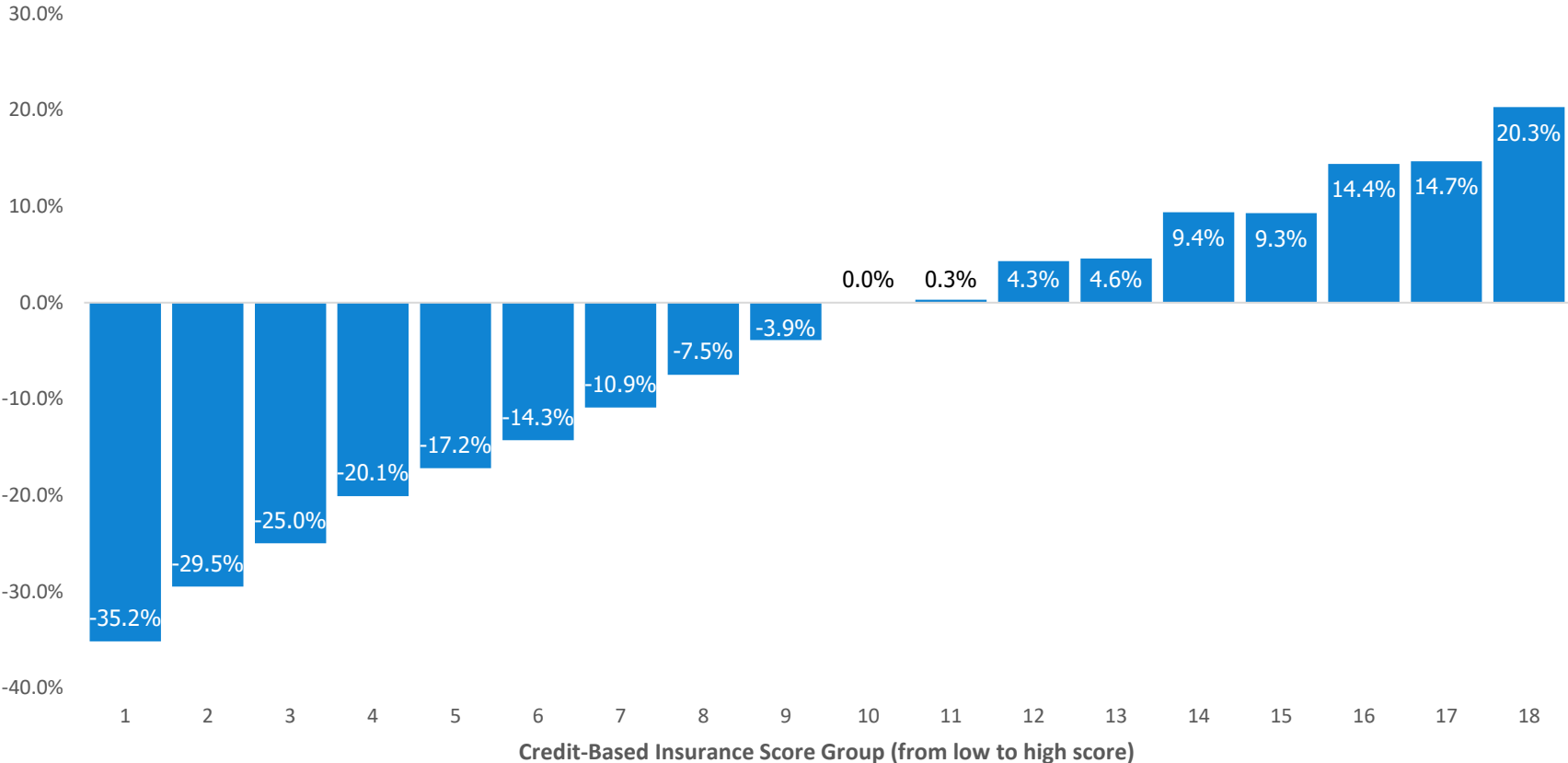
By requesting a neutral rating factor in place of credit score, the rule provides a premium neutral situation. **For every dollar increased for some, it is equally decreased for others.**

By keeping the neutral factor filings simple, OIC was able to review and approve all 177 filings quickly.

All 128 companies that used credit history and have policies in-force provided an emergency rule rate filing.

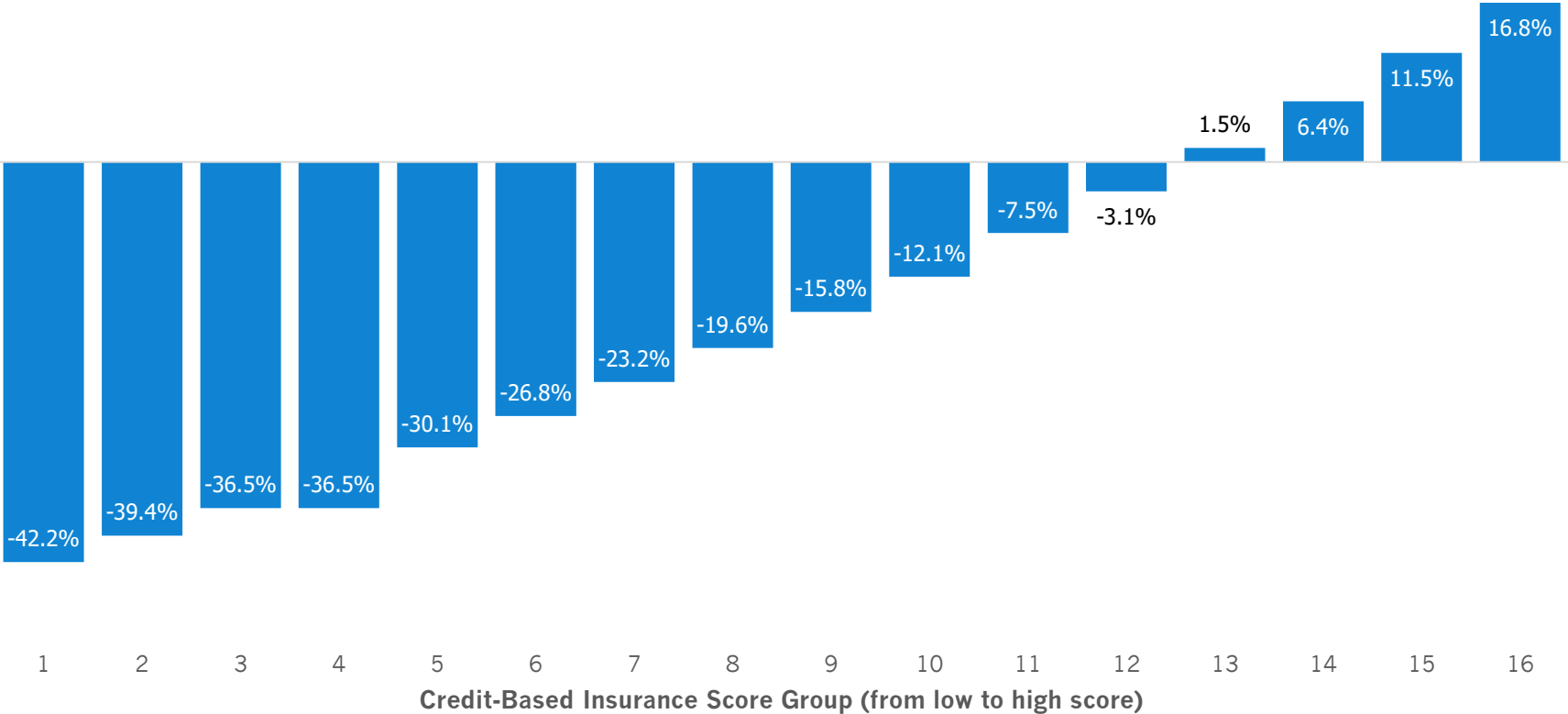
As soon as companies got their Emergency Rule rate filing approved, they could file an updated rate filing to be reviewed and approved by the Commissioner to optimize their pricing without the availability of credit history.

The expected percent change in homeowners' premium rates for Company A by insurance score group in response to the emergency rule.



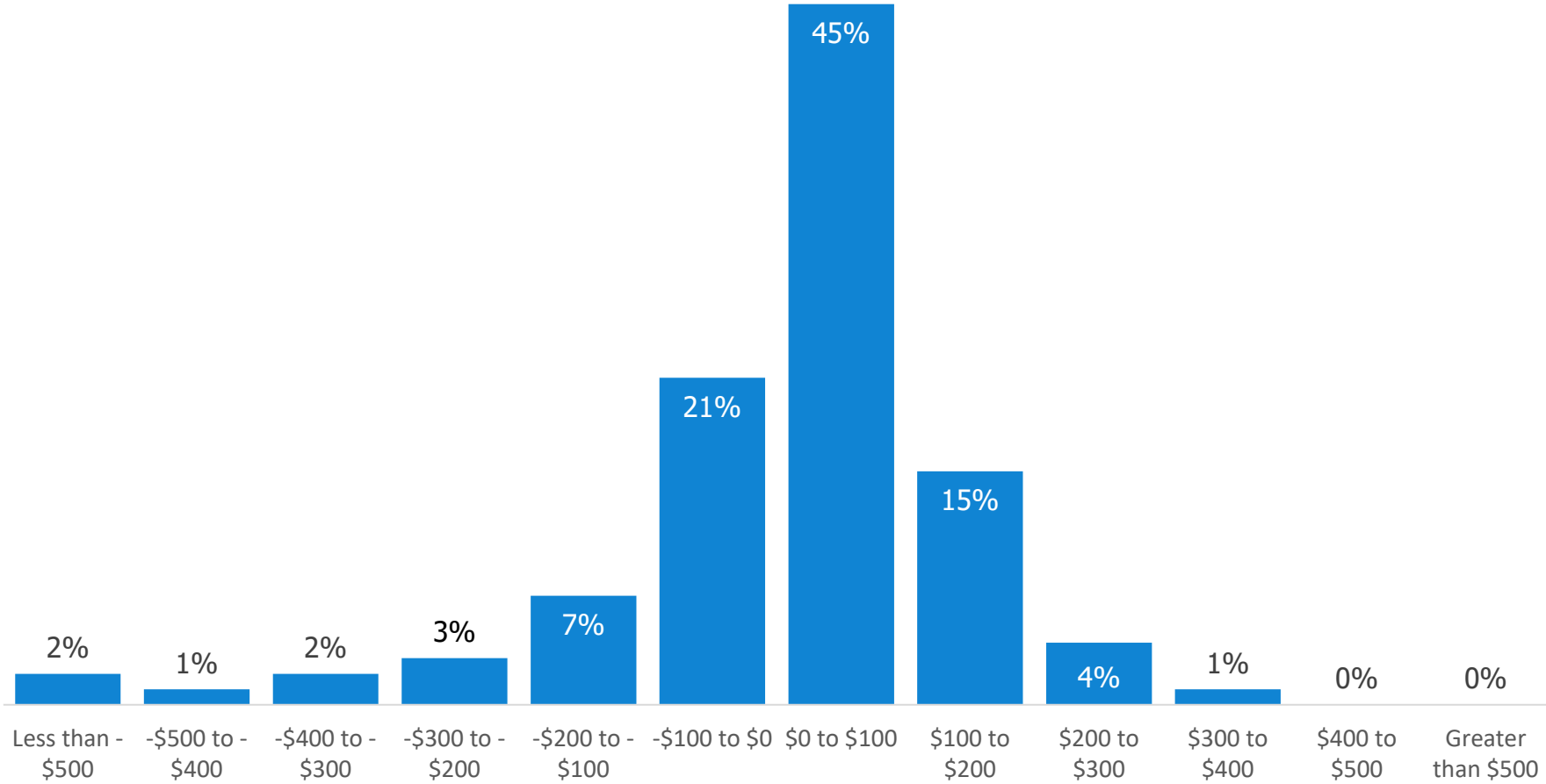
Each credit-based insurance score (CBIS) group designated by a single number in the above graph represents a range of CBIS. The numbers above are in order of lowest to highest CBIS ranges.

The expected percent change in renters' premium rates for Company A by insurance score group in response to the emergency rule.



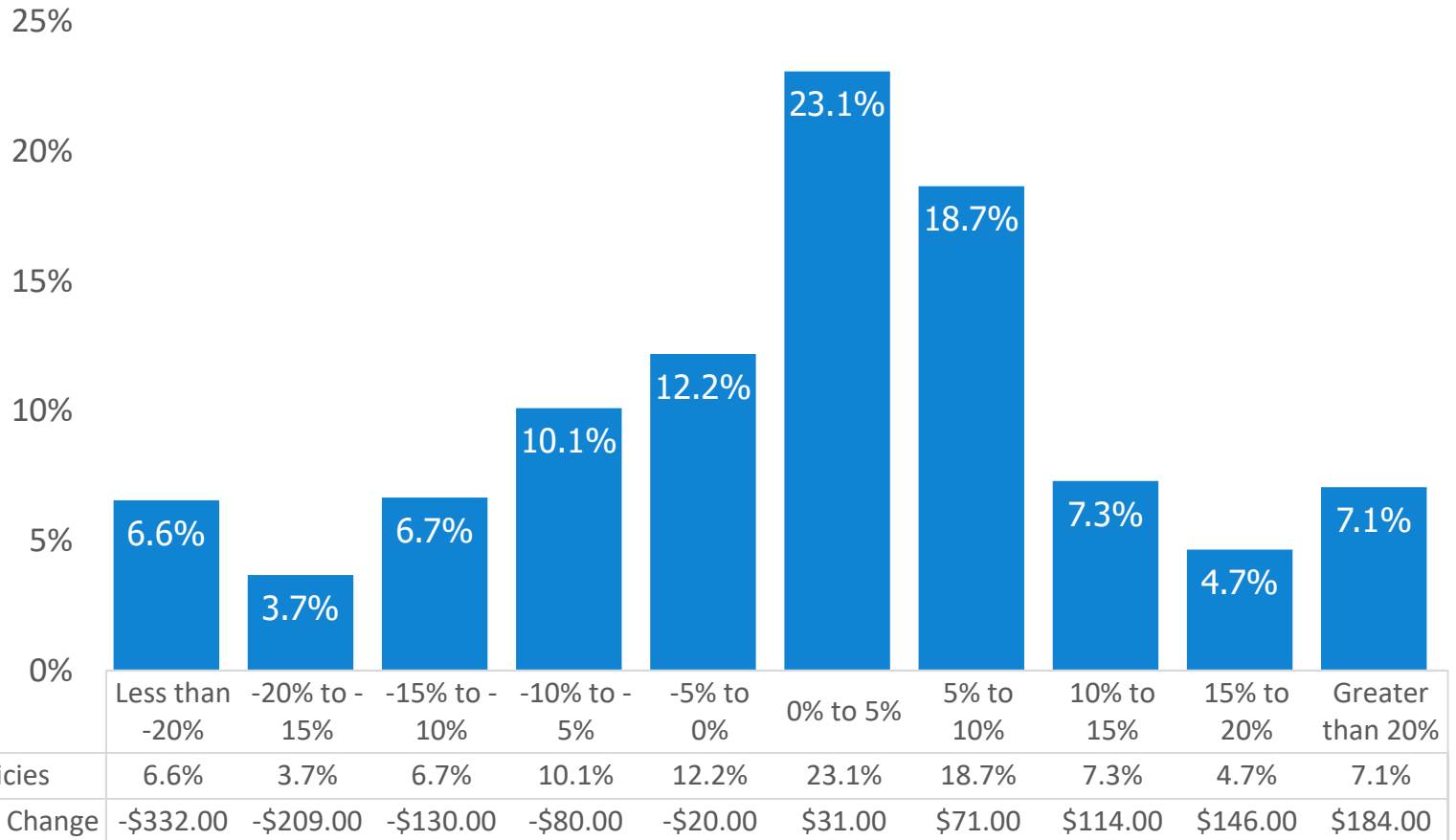
Each credit-based insurance score (CBIS) group designated by a single number in the above graph represents a range of CBIS. The numbers above are in order of lowest to highest CBIS ranges.

For Company B, 45% of policies will have a \$0 to \$100 change in premium because of the emergency rule. 36% of impacted policies will have a decrease in premium.



Company C

The average savings for those seeing more than a 20% decrease (-\$332) in their premium is significantly more than the additional charge for those seeing more than a 20% increase (\$184).



Emergency Rule recap

- **The Emergency Rule neutralizes the use of credit history on homeowner's, renter's and personal auto insurance rates for three years after the conclusion of the public health emergency.**
- **There are numerous rate factors that impact one's insurance premium.**
- **The rule provides a premium neutral situation. For every dollar increased for some relating to credit history, it is equally decreased for others.**
- **As soon as companies got their Emergency Rule rate filing approved, they could file an updated rate filing to optimize their pricing without the availability of credit history.**

What about regular rulemaking?

Regular rulemaking is underway (OIC# R2021-07) with multiple comment periods open and iterations of the rule language circulated to stakeholders.

The CR 101, the public notice of rulemaking, was filed on June 22, 2021

The first stakeholder draft was circulated on July 16th with a comment period open until August 6th.

The rule team then reviewed comments, deliberated, and circulated a second stakeholder draft on September 7th, with a comment period open until September 17th.

The rule team is currently reviewing comments received and working on the regular rule language.



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