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February 20, 2015

Colorado Department of Regulatory Agencies
Division of Insurance
Commissioner Marguerite Salazar
1560 Broadway, Suite 850
Denver, CO 80202

sent via email to:
bobbie.baca@state.co.us

RE: NAMIC's Written Comments on the Draft Proposed Regulation 5-2-17

Dear Commissioner Salazar:

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written comments on the Draft Proposed Regulation 5-2-17.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 160 members who write property/casualty and workers' compensation insurance in the State of Colorado, which represents 44% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC appreciates the Division of Insurance's (DOI) commitment to promoting pro-consumer market competition and its willingness to work closely with insurers to draft regulations that accomplish important public policy objectives in a way that avoids creating unnecessary insurance rate cost-drivers.

NAMIC's members are committed to informed insurance consumer choice and truly appreciate how it is in the best interest of insurance consumers, insurers, and regulators to make sure that consumers are provided with meaningful information about the insurance coverage they have selected to address their insurance needs. Therefore, NAMIC's members support the regulatory intent of Draft Proposed Regulation 5-2-17.

Insurance companies want and need their policyholders to be well-aware of important aspects of their auto insurance coverage, like the fact that there may be a step-down in coverage limits for permissive use drivers. Consequently, insurers start the consumer education process during the sales transaction, where insurance applicants are provided with valuable information about their insurance coverage options. The insurance policy also provides the consumer with a clear explanation of step-down coverage. Colorado State Law specifically requires auto insurance policies to be written in readily understandable “plain language”, so that policyholders may easily access and understand key information about their auto insurance policy coverage. Therefore, consumers are already provided with detailed information about step-down coverage, so one has to question whether the proposed additional consumer disclosure requirement is really even necessary. Moreover, since consumers are already inundated with auto insurance disclosures is adding one more disclosure to the lengthy list really even beneficial to the consumer?

NAMIC believes that regulatory disclosure requirements need to be balanced and measured so as not to hinder insurers in their efforts to be efficient cost-containment managers. Avoiding unnecessary or duplicative administrative processes, like providing notices of information already disclosed in the insurance policy, is essential to maintaining affordability of auto insurance for consumers.

However, NAMIC members appreciate the DOI’s position and we welcome an opportunity to continuing meaningful dialogue on how best to educate insurance policyholders in a cost-effective way for consumers.

NAMIC is still in the process of procuring feedback from its members on this new draft proposed regulation, so we will submit additional comments to the DOI during the formal rulemaking process, but we greatly value this opportunity to tender some preliminary thoughts on the draft proposed regulation.

Insurance companies that write insurance in a number of states need to maintain as much uniformity in their policy language as possible, because creating lots of different state specific forms is an IT challenge and administrative cost/burden for insurers that acts as an insurance rate cost-driver. Therefore, insurers need reasonable flexibility to determine how best to accomplish the DOI’s objective of consumer education in a manner that is cost-effective and consistent with their internal business practices.

Since the DOI has a proved track record of effective consumer education outreach, maybe the DOI could use its website and media relations to help inform and educate consumers about step-down coverage? Further, Colorado insurance consumers also have the benefit of being able to access free insurance educational materials from the Rocky Mountain Insurance Information Association (RMIIA). Maybe these cost-effective information dissemination vehicles could be used to “get out the message”, before any new administrative and IT costs are imposed upon insurers?

NAMIC believes that it makes sense from a public policy standpoint to start with information exchange approaches that currently exist and don't require additional expenditures from insurers. If the DOI still believes, after this consumer education outreach, that additional consumer notice is needed to address an actual problem with consumers misunderstanding step-down coverage, then the DOI could require more affirmative disclosure measures. Straightforward, cost-effective information dissemination solutions are sometimes all that is actually needed to address the situation.

If the DOI is concerned that there is an actual ascertainable consumer information need that can *only* be addressed through additional consumer disclosures, NAMIC recommends that the DOI afford insurers the opportunity to work with the DOI to address this objective in a manner that works best for each insurer.

So long as the public policy objective of providing auto insurance consumers with information about the scope of their insurance coverage, including how step-down coverage works, is effectively accomplished does it really matter how the insurer complies with the requirement?

For example, one of NAMIC's members has directly submitted a suggestion to the DOI to allow insurers the opportunity to draft their own disclosure language, subject to DOI approval, so as to minimize IT costs and facilitate national uniformity in policy language for the insurer. Another insurer has recommended to NAMIC that the proposed effective date be moved to January 1, 2016, so as to provide insurers with reasonable time to implement IT changes necessary to comply with the proposed regulation.

NAMIC looks forward to participating in this collaborative endeavor with the DOI and will likely have additional recommendations to offer to the DOI for consideration during the formal rulemaking.

Thank you for your time and consideration of NAMIC's written testimony. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you have any questions pertaining to my written testimony.

Respectfully,



Christian J. Rataj, Esq.
NAMIC's Senior Director - State Affairs
Western Region