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INSURANCE DIVISION BULLETIN No. 2007-004

May 7, 2007

NEW MEXICO
PUBLIC REGULATION
COMMISSION
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TO: PROPERTY/CASUALTY INSURERS WRITING PERSONAL LINES

RE: REQUIRED RATE DISCLOSURES UPON POLICYHOLDER INQUIRY

THE FOLLOWING BULLETIN is issued pursuant to Insurance Division Rule, 13.1.2 NMAC and Section 59A-4-3 NMSA 1978. This Bulletin revokes and replaces Bulletin No. 2003-002.

An insurer who receives a written or emailed request from a policyholder for a detailed written explanation of the reasons why that policyholder's premium for a homeowners, automobile or other personal lines insurance policy has changed or is about to change shall, within 10 business days of receiving the request, provide the policyholder with a detailed written explanation in response to that request. Insurers shall concurrently email a copy of the explanation to the Commission at insbureau@state.nm.us. In designing the layout and content of these disclosures, insurers should strike a reasoned balance between detail and ease of understanding, bearing in mind that the goal of these disclosures is to provide inquiring policyholders with a layman's understanding of why their premium increased and to avoid a level of technical detail that could confuse policyholders and engender additional questions.

The explanation shall include a list that itemizes the rating elements that contributed to the premium change and provides the dollar amount of premium change attributable to each item. Items that should be listed and quantified separately whenever possible include the effects of insurance credit scores, of claims incurred during the expiring policy term and of changes in renewal coverage (including inflationary increases in insured property values). Elements contained in a rate filing (e.g. base rate changes, revised territorial relativities or protection classes, changes in discount programs, symbol/model year changes, changes in deductible credits or increase limits factors) may be combined and described as "filed rate change, effective [date]." In situations where mid-term endorsements change the exposure of the expiring policy after its inception, the carrier has the option of comparing the renewal premium to either the expiring policy's original premium or else to what the expiring policy's premium would have been if the expiring exposures had been in force at the inception of the expiring policy term, using whatever corresponding explanations are necessary.

DONE AND ORDERED this 7th day of May, 2007.

MORRIS J. CHAVEZ
Superintendent of Insurance