

DEPARTMENT OF INSURANCE

Statutory Authority: 18 Delaware Code, Section 311 (18 Del.C. 311)
18 DE Admin. Code 704

FINAL

ORDER

704 Homeowners Premium Consumer Comparison

After publication of proposed Regulation 704 in the *Delaware Register of Regulations* on December 1, 2006, the public comment period on the proposed regulation remained open until January 3, 2007. Public notice of proposed Regulation 704 in the *Register of Regulations* and two newspapers of general circulation was in conformity with Delaware law. Written comments were received into the record from two trade associations that represent insurance companies that write homeowners insurance in the State of Delaware.

Summary of the Evidence and Information Submitted

The proposed regulation was promulgated to provide a method whereby Delaware homeowners insurance consumers would have the ability to compare premium rates of all insurers in Delaware. Each insurer would be required to submit information about its rates in response to a survey established by the Department. Insurers with less than one percent of the market would be required to fill out a less comprehensive survey. The insurers would be required to maintain records of all estimates provided to consumers and would also be required to provide a direct email response to the consumer confirming receipt of the quote request. All rate data for the website comparison would have to be filed with the Department annually on March 1st of each year except for 2007 when the information would be due by April 1st.

The insurers were generally supportive of public accessibility to such rate comparison data. By and large they were concerned about the amount of detail required by the regulation, the difficulties in providing email receipts and the potential for misunderstandings and unintended reliance by the consumers on the sample rates based on hypothetical situations that did not take into account the specific risks and background information that is already available by direct contact with the consumer. All of the insurers acknowledged that they currently provide direct to consumer rate quotes by telephone or website utilities. The purpose of the regulation would be to allow the consumer to look at rates from several companies on one website rather than or prior to accessing individual company websites or making individual calls to particular insurance companies.

Findings of Fact

Members of the public generally and the insurance consumer in particular have a vested interest in having that information available that will allow the consumer to make an informed and knowledgeable decision about insurance coverage. This regulation allows the consumer to utilize an objective information base that is not sponsored by any insurer or insurance agent. It will be designed with sufficient notice to the consumer that the comparative data is based on sample or hypothetical situations and that the information is not a rate quote or binding upon the particular insurer that submitted the information. Nevertheless, each insurer will be required to provide accurate data as part of their obligations under the regulation. The fact that the data has to be submitted on an annual basis avoids the problems inherent in using stale information. While suggesting different approaches, the insurers were supportive of the public's right to know the premium costs for consumer homeowners insurance. There is no basis to amend or revise the substantive provisions of the proposed regulation based on the comments received.

Decision and Order

Based on the provisions of 18 Del.C. §§311 and 2501 et seq. and the record in this docket, I find that there is substantial evidence in favor of the adoption of this regulation to become effective on February 11, 2007.

Text and Citation

The text of the proposed amendments to Regulation 704 last appeared in the *Register of Regulations* Vol. 10, Issue 6, pages 967-968, December 1, 2006.

IT IS SO ORDERED this 5th day of January, 2007.

Matthew Denn
Insurance Commissioner

704 Homeowners Premium Consumer Comparison

1.0 Authority

1.1 This regulation is adopted by the Commissioner pursuant to the authority granted by 18 Del.C. §§311 and 2501 and promulgated in accordance with the Delaware Administrative Procedures Act, 29 Del.C. Chapter 101.

2.0 Definitions

"Homeowners market share" shall be determined by data from the National Association of Insurance Commissioners for the prior calendar year for line number 04 ("Homeowners Multiple Peril) for the State of Delaware.

"Insurer" shall mean every insurer licensed to offer and sell non-commercial residential homeowners insurance coverage in the State of Delaware.

"Rate estimates" shall mean the estimated annual insurance premiums produced for the Department's rate survey.

"Rate survey" shall mean a request by the Department that insurers calculate estimated annual insurance premiums based on hypothetical consumer profiles. The rate survey shall include estimated premiums for zip codes or other geographic area identified by the Department.

3.0 Scope

3.1 Insurers with .01 percent or more of the Delaware homeowners insurance market share shall be required to complete the full rate survey required by this regulation.

3.2 Insurers with less than .01 percent of homeowners insurance market share shall not be required to complete a rate survey pursuant to this regulation.

3.3 The provisions of this regulation shall only apply to policies of insurance covering those properties described in 18 Del.C. §4120.

4.0 Insurer Information

4.1 Each insurer will be provided with an account on the Department's website to provide basic company information and to administer the submission of rate survey data.

5.0 Survey Completion Deadline

5.1 The Department of Insurance shall make available the rate survey request format with hypothetical consumer profiles, coverage levels, and other information necessary for calculating rate estimates on the Department's website no later than March 1st of each year.

5.2 In 2007, all required rate survey data from insurers must be submitted to the Department on or before April 15, 2007. In all subsequent years, all required rate survey data from insurers must be submitted to the Department on or before April 1 of each year.

5.3 Rate survey data that is incomplete or not reported according to the Department's instructions will be returned to the insurer for correction and must be resubmitted within 10 business days.

6.0 Survey Format

6.1 Insurers shall provide rate estimates based on rates in effect as of March 1 of the year when the rate survey is being completed.

6.2 All rate estimates shall be rounded to the nearest dollar.

6.3 Insurers shall submit rate data utilizing an electronic spreadsheet provided by the Department or by other means specified by the Department. Insurers shall be required to upload the data to the Department via the internet.

7.0 Responsibility for Information and Data

7.1 Insurers shall be responsible for the accuracy of company information and rate data submitted to the Department for publication. As part of the submission process, insurers will be subject to examination to verify the accuracy of the data being submitted.

8.0 Consumer Quote Requests

8.1 Insurers shall provide a single electronic mail address to the Department for the purpose of allowing consumers to request a personalized homeowners insurance premium quote as part of the rate comparison process.

8.2 The insurer shall be required to provide a direct email response to the consumer, confirming receipt of the quote request.

8.3 The insurer shall be required to maintain an electronic log of all email responses to consumer requests for rate quotes for a period of one year after the request. The electronic log shall be capable of being transferred to the Department upon request.

9.0 Penalties

9.1 Insurers that do not comply with this regulation are subject to the provisions of 18 Del.C. §329.

10.0 Severability

10.1 If any provision of this Regulation or the application of any such provision to any person or circumstance shall be held invalid the remainder of such provisions, and the application of such provision to any person or circumstance other than those as to which it is held invalid, shall not be affected.

11.0 Effective Date

11.1 This Regulation shall become effective February 15, 2007.

10 DE Reg. 1304 (02/01/07) (Final)