

## **Why is an insurance company sending notices of proposed rate increases directly to policyholders?**

Every so often, an insurance company in New Jersey sends out notices to policyholders about a proposed rate increase across policies offered in the state. This is what you need to know about such notices.

### **Why is an insurance company sending notices directly to policyholders saying they filed for an average rate increase of an amount greater than 7%?**

New Jersey closely regulates insurance rates to ensure the stability of insurance companies and affordability for policyholders. When a company submits new rates with a proposed increase greater than 7%, then New Jersey requires the company send notice to all policyholders of the proposed increase.

### **Does this change monthly premiums?**

No, the proposed rate is not approved. Only when rates are approved will premiums be affected.

### **If the rate is not approved, why is a company sharing what they submitted as a proposal?**

The Department of Banking and Insurance and New Jersey law make these notices mandatory.

N.J.A.C. 11:1-45.3 requires insurance companies provide notice to all policyholders in the state when the company applies for approval of raising insurance premium rates above 7%. This is based on an average increase across all policies.

### **Will the Department of Banking and Insurance approve the rate increases?**

There is no predicting how DOBI will respond to such rate filings. However, this is not a process where DOBI simply rubber stamps submitted rates. DOBI reviews rate increases closely, especially significant rate increases that require notice.

### **When will the rates be approved?**

That could be unclear. Until rates are approved, renewal premiums will be based on the most recently approved rates. PIANJ recommends companies notify agents and brokers of updated rates as soon as approved.

### **Why did agents and brokers not receive notice of the proposed rate increases?**

The regulation does not require insurance companies to notify the agent or broker of record.

PIANJ strongly recommends companies include agents and brokers in all communications with policyholders, preferably with advanced notice so producers can be prepared to assist policyholders.

### **When will a policyholder know their renewal premium?**

Policyholders will receive renewal premiums at least 30 days' before the policy renews. For homeowners' policies and commercial policies, notice of the updated premium must be sent to the policyholder no less than 30 days and no more than 120 days prior to the due date of the premium for the policy to renew. PIA has further information on these renewals in our [QuickSource on Commercial lines and homeowners policyholder protections](#).

The renewal premium for personal automobile policies must be sent at least 30 days and no more than 45 days prior to the policy renewal. PIA has further information on renewals in our [QuickSource on Personal automobile policyholder protections](#).

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**What are the differences between the advanced notice of the premium rate change and a policy renewal statement?**

The notice of the rate change will be in percentages, such as 15.6%. This is likely a standard statement sent to all policyholders.

Renewal notices will include exact premium amounts and include a date the premium is due in order for the policy to renew.

**What should a policyholder who receives notice of a proposed rate increase do?**

Policyholders should notify their independent agent or broker to discuss what the notice means and the next steps for their policies. Policies in effect will not be impacted until the renewal date comes up. When the policy is up for renewal, specific information about changes in premium will be shared with the policyholder and their producer.

**A policy renewed two weeks before the proposed rates were submitted. Will the premium be affected by rate changes during the policy term?**

No, the premium is the agreed to amount when the policy renews. Any rate changes during the policy term will not impact the premium until renewal.

For example, a policy renewed Nov. 30, 2020. The company has new rates approved Dec. 5, 2020. That policyholder will pay the premiums based on the previous rates. The company will not be able to notify the policyholder of the renewal premium before August 2021 and will have until Oct. 31, 2021, to send the policyholder the renewal premium.

**What can agents and brokers do if a company sends out notice of the proposed rate increase?**

The first thing agents and brokers should remember is that these are just the proposed rates and do not immediately impact policyholders. They may contact marketing representatives with the company to request further information and notice when rates are approved. PIANJ strongly recommends companies give agents and brokers this information to ensure it gets best communicated to policyholders.

PIANJ members can share this information directly with policyholders. The PIA Industry Resource Center is available to answer any further questions members may have with this issue.