

October 17, 1979

SUBJECT: INSURANCE

CIRCULAR LETTER NO. 27

TO: ALL INSURERS LICENSED TO WRITE AUTOMOBILE INSURANCE IN NEW YORK STATE

RE: PROVIDING PRIVATE PASSENGER AUTOMOBILE INSUREDS WITH CLEAR NOTICE OF: (1) PREMIUM "SURCHARGES" UNDER MERIT RATING PLANS; AND (2) INCREASES IN RATES

On December 29, 1975 all private passenger automobile insurers were reminded by Circular Letter No. 21 (1975) that they must comply with Section 311(4) (a) of the Vehicle and Traffic Law. Section 311(4)(a) provides in substance that insurers must attach a "rating information form" to all new and renewal policies clearly specifying and defining the rating classification assigned to the insured, including any applicable merit rating plan. This continues to be the law and must be complied with.

The Insurance Department has received many complaints about premium surcharges under merit rating plans. We believe that this is due in large part to the difficulty encountered by most insureds when they attempt to decipher and apply the complex codes insurers use in classifying risks. Nor do insureds generally understand how the surcharge rules under merit rating plans work.

In a similar way, many insureds are confused when their premium bill is increased as a result of an insurer's general rate adjustment, even though their automobile coverages may have remained unchanged.

Insurers may continue to use rating information forms of their own design. However, in order to lessen confusion in these areas, the following procedures shall apply to all private passenger automobile policies issued or renewed on and after January 1, 1980:

(1) Where a policy has been surcharged under a merit rating plan, insurers are directed to state prominently, either on the declarations page, on the premium bill or on a notice attached to the declarations page or premium bill, the following or its substantive equivalent;

"YOUR PREMIUM RATES ARE HIGHER THAN THEY OTHERWISE WOULD BE BECAUSE, DURING THE MEASURING PERIOD WHICH APPLIED TO YOUR INSURANCE, YOU HAD ONE OR MORE CHARGEABLE ACCIDENTS OR CHARGEABLE TRAFFIC CONVICTIONS. IF YOU HAVE ANY QUESTION ABOUT YOUR PREMIUM RATES, YOU MAY (WISH TO CONSULT YOUR AGENT OR BROKER)* OR (CALL US AT COMPANY TELEPHONE NO. _____)*"

*INSURER MAY SELECT APPROPRIATE PHRASE OR USE BOTH PHRASES

(2) When an individual insured's premium rates have been increased as a result of an insurer's filed rate change, insurers are directed to state prominently, either on the declarations page, on the premium bill or on a notice attached to the declarations page or premium bill, the following or its substantive equivalent:

"SINCE YOUR LAST PREMIUM BILL, RATE CHANGES FOR OUR COMPANY HAVE

BECOME EFFECTIVE IN NEW YORK WHICH MAY HAVE INCREASED YOUR PREMIUM. IF YOU HAVE ANY QUESTION ABOUT YOUR PREMIUM RATES, YOU MAY (WISH TO CONSULT YOUR AGENT OR BROKER)* OR (CALL US AT COMPANY TELEPHONE NO. _____) *"

*INSURER MAY SELECT APPROPRIATE PHRASE OR USE BOTH PHRASES

(3) In appropriate circumstances, the substantive equivalent of the two notices may be combined. Editorial changes to accommodate the insurer's style of notice will be permitted, if they do not involve substantive changes. Insurers will be permitted to add any further explanatory material they believe may assist their insureds in understanding changes in their coverages or rates.

Very truly yours,

[SIGNATURE]

Albert B. Lewis

Superintendent of Insurance