

STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE  
INSURANCE DIVISION

In the matter of the proposed  
rules governing private  
passenger automobile surcharge  
disclosure.

STATEMENT OF NEED  
AND REASONABLENESS  
OF PROPOSED RULES

STATEMENT OF NEED AND AUTHORITY

Minnesota Statutes, Section 65B.133, Subdivision 2 requires every insurer authorized to write policies of private passenger vehicle insurance in Minnesota, or its agent, to mail or deliver a surcharge disclosure statement to their policyholders either before or with the first notice to renew a policy on or after January 1, 1983. In the case of new applicants the surcharge disclosure statement must be provided, prior to accepting the initial premium payment, to any person who applies for a policy which is effective on or after January 1, 1983.

Many insureds are not aware of the existence of surcharge plans and only become familiar with the surcharge plan after a chargeable accident or chargeable traffic violation. Minnesota Statute 65B.133 is intended to acquaint insureds with the surcharge plan of any insurer with which they are, or intend to be insured. This will enable insureds to com-

pare the variety of surcharge plans and add another factor, which already includes rates, reliability and service, when making a decision to select an insurance company which meets their needs.

Rules 4 MCAR § 1.9082 to 1.9088 are promulgated pursuant to Minnesota Statutes, Section 65B.133, Subdivision 7. They assure that surcharge disclosure statements contain information which will allow for informed decisionmaking by consumers when shopping for automobile insurance.

Rule 4 MCAR § 1.9083 defines terms in the rules.

Rule 4 MCAR § 1.9084 establishes standards which must be met to make the surcharge disclosure statements readable and legible, in order for the statement to be of value to insureds.

Rule 4 MCAR § 1.9085 requires that certain provisions of a surcharge plan be highlighted in bold print or contrasting color on the surcharge disclosure statement. Numerous complaints to the Insurance Division from insureds who are not aware of how surcharges are applied in these situations, point to the need for insureds to be made aware of these provisions to aid them in comparing automobile insurance rates and plans. The items listed in this provision reflect the most common subjects of consumer complaints regarding the application of surcharge plans.

Rule 4 MCAR § 1.9086 requires that insurers submit a surcharge disclosure statement to the Commissioner of Insurance for review 30 days prior to use. The statements are not subject to prior approval, but will be reviewed to determine compliance with Minnesota Statute 65B.133 and Rules 4 MCAR § 1.9081 to 1.9088.

Rule 4 MCAR § 1.9087 requires that the auto plan submit a surcharge disclosure statement to the Commissioner of Insurance for approval. This is consistent with Minnesota Statute § 65B.08 which requires prior approval of auto plan premium rates by the Commissioner of Insurance. It also clarifies the procedures that participating members of the auto plan are to follow when providing statements to the auto plan insureds.

Rule 4 MCAR § 1.9088 requires two examples be displayed on the statement showing the effects of the insurers surcharge plan on a single vehicle and multi-vehicle insured. Insureds should be able to use these examples to compare the effects of different surcharge plans to a given situation. The use of examples will serve to make the explanation of surcharge plans more understandable to insureds. The examples listed were chosen as representative of common situations which might include one car or two car families.