



JUNE 2005

WEST VIRGINIA INFORMATIONAL LETTER

NO. 153

**TO: All Licensed Insurance Companies**

**RE: Clarification of "Notation of Consumer Costs Savings" Requirement**

The purpose of this Informational Letter is to clarify the statutory requirement that companies notify policyholders about cost savings resulting from recent legislative reforms. Senate Bill 418 added the following section to the Code:

**§33-6-15a. Notation of consumer cost savings.**

Each policy issued following enactment of this provision during the two thousand five regular session, during the year following the effective date, shall display in a prominent location on the policy itself or on an insert included with each policy and provided to each policyholder, statements as following:

(1) "YOUR COSTS FOR THIS POLICY (HAVE/HAVE NOT) BEEN REDUCED BY (insert savings amount here) BECAUSE OF CIVIL JUSTICE REFORMS ENACTED BY THE WEST VIRGINIA LEGISLATURE IN 2005 AND SIGNED INTO LAW BY THE GOVERNOR; and

(2) "YOUR COST FOR THIS POLICY HAS BEEN REDUCED BY (insert savings amount here) BECAUSE OF PREMIUM SURCHARGE REDUCTIONS ENACTED BY THE WEST VIRGINIA LEGISLATURE IN 2005 AND SIGNED INTO LAW BY THE GOVERNOR."

If the insurer did not offer the type of insurance provided by the policy in two thousand four, the requirement for these statements does not apply.

Senate Bill 30 also added a new section with the same section number and with almost identical language:

**§33-6-15a. Notation of consumer cost savings.**

Each policy issued following enactment of this provision during the two thousand five regular session, during the year following the effective date, shall display in a prominent location on the policy itself or on an insert included with each policy and provided to each policyholder, statements as following:

"YOUR COSTS FOR THIS POLICY (HAVE/HAVE NOT) BEEN REDUCED BY (insert savings amount here) BECAUSE OF INSURANCE LAW REFORMS ENACTED BY THE WEST VIRGINIA LEGISLATURE IN 2005 AND SIGNED INTO LAW BY THE GOVERNOR."

If the insurer did not offer the type of insurance provided by the policy in two thousand four, the requirement for these statements does not apply.

The Commissioner has been advised by the Clerk of the House of Delegates that both sections will be effective and that the section in SB 418 will be renumbered as §33-6-15b. The Commissioner believes that these sections were intended to be harmonized in order that the clearest picture of the recent legislative reforms can be presented to policyholders; accordingly, the Commissioner advises insurance companies as follows:

Policies affected – Only policies with renewal dates occurring in the 12-month period beginning July 8, 2005, are subject to the notation requirements. Because the surcharge rate reduction (from 1% of premium to .55%) will only affect fire and casualty policies with renewal dates on or after January 1, 2006, only those policies must include the notation required by paragraph (2) of §33-6-15b (SB 418); policies renewed prior to January 1, 2006, do not have to include the surcharge notation.

Basis of savings – “Civil justice reforms” include Senate Bill 418’s elimination of a private cause of action by third parties for alleged unfair claims settlement practices, establishment of an administrative complaint procedure to handle such claims and establishment of a special account to compensate claimants, as well as the provisions in Senate Bill 421 changing the rules of joint and several liability and the Workers’ Compensation amendments in Senate Bill 744 modifying the definition of “deliberate intent.” “Insurance law reforms” include Senate Bill 30’s establishment of an alternative (percentage) method for nonrenewing homeowners’ policies and addition of a new ground for nonrenewing policies (2 or more paid claims in 36 months) by companies electing to nonrenew under the current method.

If a single “savings amount” is used, the notation should be as follows:

"YOUR COSTS FOR THIS POLICY (HAVE/HAVE NOT) BEEN REDUCED BY (insert savings amount here) BECAUSE OF INSURANCE LAW REFORMS AND CIVIL JUSTICE REFORMS ENACTED BY THE WEST VIRGINIA LEGISLATURE IN 2005 AND SIGNED INTO LAW BY THE GOVERNOR."

Any questions about this letter or any related matters should be directed to Timothy R. Murphy, Office of the West Virginia Insurance Commissioner, Legal Division at 304-558-0401 ext. 210, or at [Timothy.Murphy@wvinsurance.gov](mailto:Timothy.Murphy@wvinsurance.gov).

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