

## Allstate to get big test in Oklahoma

Crain's Chicago Business

In tornado-ravaged Oklahoma, Allstate Corp. is about to get a first true test of how consumers respond to its new, less generous approach to insuring homes. About 18 months ago, Oklahoma became the first state in the country to get Allstate's new House and Home product, which doesn't provide replacement coverage for damaged roofs if they're more than 10 years old. Instead, the insurer reimburses claimants for the cash value of the depreciated roof, leaving policyholders to cover the rest of the cost. After a two-mile-wide tornado leveled the Oklahoma City suburb of Moore on Monday, there are bound to be at least some Allstate claimants in the town of 55,000 who had signed up for the House and Home product. In situations like Moore, where there's so much human tragedy, insurers run the risk of bad public relations if they try to enforce policy standards that don't make customers financially whole. "People don't spend a lot of time studying" policy terms, said J. Robert Hunter, insurance director at the Consumer Federation of America. "They go to an agent and say, 'Take me, I'm yours.' . . . (Allstate) will have a chance to get kind of a lab test." In the aftermath of last year's Superstorm Sandy, which pounded the Northeast, insurers, including Allstate, were quick to pronounce that they wouldn't enforce hurricane deductibles, since the storm technically didn't rise to the level of a hurricane. "Time will tell how (the Oklahoma) claims are settled," said Jim Fish, executive director of the National Association of Professional Allstate Agents, which represents about 10 percent of Allstate agents nationwide. NUMBER SHOULD BE LIMITED But the number of affected homeowners in Oklahoma should be limited, Mr. Fish said, because Allstate is continuing to provide full roof replacement to customers whose policies date to before October 2011, when House and Home debuted in Oklahoma. New customers or older policyholders who bought new homes since then, though, would have to buy House and Home, he said. An Allstate spokesman didn't respond to a request for comment. For the Northbrook-based insurance giant, more is at stake than how claims are handled in Oklahoma. The company is rolling out House and Home nationwide, and CEO Tom Wilson has identified the product as key to achieving one of his most important goals — bolstering underwriting profit margins in homeowners insurance. A bad experience in Oklahoma could provoke a consumer backlash or encourage regulator scrutiny elsewhere. The homeowners insurance business in recent years dragged down Allstate's returns and weighed on its stock price. The stock in the past year

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has recovered robustly, particularly as the company has demonstrated that homeowners rate hikes are boosting returns in that business. Other smaller insurers are beginning to follow Allstate's lead on roof coverage, denying full replacement coverage to homeowners with older roofs. But the largest insurer of homes in the U.S., Bloomington-based State Farm Insurance Cos., continues to provide full replacement coverage. In Oklahoma, State Farm is the largest home insurer, with 27.3 percent of the market, according to the Oklahoma Insurance Department. Allstate is the No. 4 home insurer in the state, with 5.5 percent.