

Essential Property Insurance Coverage Information Withheld from Consumers

Property Insurance Coverage Law Blog

An April 2017 report by United Policyholders reveals the state rankings of homeowner insurance protections that impact buying insurance. The research revealed that many major insurance companies and many states withhold coverage and policy provisions from consumers during the purchase. These same companies and states also withhold payment information.

No states were awarded the five-star ranking.

Florida and California earned three-star rankings with New York and New Jersey hitting the two-star level. The report measured just how well states themselves provide information to consumers and how their laws mandate insurance companies to disclose and provide to the public consumer.

Jay Feinman, the author of *Delay, Deny, Defend*, of Rutgers Law and the co-director of the Rutgers' Center for Risk and Responsibility at Rutgers Law School sent over the report. Looking nationwide at homeowners insurance, Coverage, Quality, and Price are all important when buying insurance no matter the state. Homeowners need to have more information when purchasing or renewing insurance. The report notes that disclosure will create more competition between the companies resulting in better products and a fairer price.

After a loss, many policyholders hold on to their one key understanding of their policy: "I remember I bought a replacement cost policy." Many policyholders are impressed with the term "replacement cost" before the loss but it is later revealed that after reading and re-reading all the exclusions and limitations there are more issues to deal with before replacement even comes into play. How depreciation factors into a claim matters a whole lot less if the carrier is citing a provision that no coverage is afforded on the claim. This is not to say that the carrier is appropriately applying an exclusion or interpreting the policy in the proper way, but these hurdles of coverage must be addressed before getting to numeric figures.

Here is how the Rutgers report explains and addresses the hidden coverage information:

“Insurance is the only product for which consumers don’t know what they are buying before they buy it.”

This is shocking when you think about it, but true. The quote and the application give us virtually nothing when it comes to the details of the actual policy.

Insurance companies almost never provide copies of policy language or complete summaries of policy terms to prospective policyholders. And what homeowners are buying can vary widely from one insurance company to another, with some major insurance companies providing coverage that offers much less protection than coverage provided in standard homeowner insurance policies.

We deal with this day in and day out in Florida because carriers are sending off new forms for “self-approval” with the Department of Financial Services. Often, it appears the department governing insurance is shocked to learn about how gutted the policy forms have become when you read them in conjunction with the other provisions that are implicated.

The report recommendations for all states are clear and concise:

Insurance departments should post online the homeowner insurance policies of all insurance companies doing business in the state, or at least those companies that have a significant market share.

A step further that is necessary from a practitioner standpoint is that all variations and options of coverage should be highlighted for each company so one can see that not all of an insurance company’s policies are the same. Don’t be fooled just because you have a policy from the same company as your neighbor.

State departments of insurance should provide a comparison tool that enable consumers to easily compare key terms of insurance policies.

States should require insurance policies to be clearly organized and written in plain language.

Merlin Law Group constantly asks carriers if they understand the policies they have written. Often, claim managers and supervisors admit they aren’t sure or don’t know. Writing a better policy is a simple request but will likely never happen because the apparent desire for carriers to escape indemnity is now

the cornerstone of how business is done by many.

Transitioning to another missing portion of the insurance buying process, for “quality,” all consumers have to rely on now is perhaps their own experience in an auto claim wholly unrelated) and media ads about the service from an insurance company. Wouldn’t you really like to know when push comes to shove how your loss would be handled for various problems? The measure for quality is the financial stability of the company along with their record of paying claims promptly and fairly. That is not too much to ask.

Consumers should be told the average time it takes to pay a claim, the proportion of claims denied, and the number of the policyholders who had to sue the insurance company for payment. The request is for insurance companies to post online information about insurance company practices in paying claims for consumers to view and compare.

Again, it sounds like something that should already be in place in every state, but no state makes claim payment information available to consumers and no state requires the companies to provide clear summaries of policy terms to consumer shopping for insurance.

Want to see how your state stacks up? The report is available [here](#).

The more information a policyholder has about insurance at the time of purchase and at the onset of coverage can only help the industry and consumers. Why is this information so hidden? All signs point to this benefiting the company and its bottom line—to the detriment of policyholders.

For other posts on United Policyholders and their phenomenal work for insureds see:

Rutgers Law School and United Policyholders Launch Essential Protections for Policyholders Project
United Policyholders Sues FEMA Over Withheld Sandy Claims Documents
United Policyholders Continues its Good Work

More on Jay Feinman is posted in:

Jay Feinman Interview at First Party Claims Conference
New Report from Rutgers Calls Out Insurance Companies and Asks States to Help Policyholders