Frustrated About Insurance Denials? You're Not Alone.

US News

My book "Delay, Deny, Defend: Why Insurance Companies Don't Pay Claims and What You Can Do About It" was thrust into the spotlight recently after UnitedHealthcare CEO Brian Thompson was killed last month in what authorities say was a targeted attack. Investigators at the scene found bullet casings inscribed with the words "delay," "deny" and "depose."

The unsettling echo of the book's title struck me and many others. Thompson's killing – and the torrent of online outrage over insurance claim rejections that followed – put Americans' unhappiness with insurers at the forefront of the national conversation. Many people pointed fingers at UnitedHealthcare and other health insurers for failing to pay for essential medical treatments. Gleeful online trolls even celebrated the alleged killer as a heroic vigilante.

As a scholar of the insurance industry, I am not surprised by this ghoulish reaction. The killing revealed many Americans' deep resentment and even rage at insurance companies. And while the focus has been on health insurance, these frustrations extend across the broader insurance landscape. Homeowners insurance, for example, is becoming harder to get in many states, at the same time that coverage is shrinking (in part because of extreme weather). Auto insurance rates are skyrocketing. These trends are fueling widespread discontent with insurers of all kinds.

Why policyholders feel betrayed

As recent news coverage has shown, policyholders feel outraged when insurers fail to keep their promises to pay legitimate claims promptly and fairly.

Too often, people say, insurance companies delay paying certain claims, deny other valid claims altogether and force policyholders to defend themselves in court – all to increase profits by cutting the cost of fulfilling claims.

Many problems often begin long before anyone files a claim. Insurance consumers often don't know much about what they are buying. For home, auto and many other types of insurance, companies seldom provide copies of policy language or accessible summaries of policy terms to prospective policyholders.

Even when consumers have access to policies, many don't read or can't understand the long, complex legal documents. Similarly, they can't anticipate the many ways a loss could occur – or the problems that could result if it does. They simply believe they will be "in good hands" with a "good neighbor," to quote two iconic insurance advertising slogans.

Unfortunately, when consumers need to make claims, they often discover significant gaps in their coverage. Health insurance can involve a tangle of limitations due to provider networks, medical necessity rules and preauthorization requirements.

Homeowners reasonably expect that they will be fully covered for all major losses, but insurers have cut back coverage to account for rising costs due to inflation and climate change. So when disaster strikes, too many Americans feel they haven't gotten the security they already paid for, and resentments flare.

An insurance industry Americans can trust

Rebuilding trust in insurance won't be easy, but it's essential. Insurance is the great protector of financial security for the American middle class, but only when it works. As the recent reaction demonstrates, it needs to work better. The insurance industry won't change by itself; the financial pressures on insurers from increasing losses and fierce market competition are too great.

In order for insurance to serve its goals, lawmakers and regulators will need to take action. Based on my research, I see three big areas for improvement.

First, the government can help make the market for insurance work better. Markets need information, and better information produces better results. Regulators should require that key information about coverage be available in an accessible format for all types of insurance.

Consumers also need information on the quality of companies offering policies, and whether a company pays claims promptly and fairly is a key measure of quality. Consumers don’t have access to much reliable information on that now, so disclosure should be mandated by law there as well.

Second, states would be wise to consider minimum coverage standards, especially for homeowners insurance, as insurers have been cutting back on coverage recently to reduce costs. New York addressed a similar problem in 1943, when the state legislature adopted a Standard Fire Policy that has since been copied in many states.

Some 70 years later, the federal Affordable Care Act did something similar by requiring that insurers cover 10 “Essential Health Benefits,” such as emergency services and maternity and newborn care. In both cases, lawmakers set minimum standards that every company must meet. States again need to consider whether insurance coverage is too important to be left purely to the vagaries of the market.

Third, policyholders need effective remedies when insurance companies are found to have acted unreasonably. Many insurance claims result in good-faith disputes about how much the insurance company should pay – for example, whether roof damage was caused by hail (which is usually covered by insurance) or just wear and tear (which isn’t). But other times, insurance companies deny claims after inadequate investigations or for spurious reasons.

For example, a 2023 Washington Post investigation concluded that in the wake of 2022’s Hurricane Ian, some Florida insurance companies aggressively sought to limit payouts by altering the work of their adjusters who inspected damaged homes. Some policyholders and their families had their Hurricane Ian claims reduced by 45% to 97%.

The American Policyholder Association, a nonprofit insurance industry watchdog group, claimed to find “compelling evidence of what appears to be multiple instances of systematic criminal fraud perpetrated to cheat policyholders out of fair insurance claims,” the Post reported.

When people find themselves in this sort of situation, they have to spend lots of time and effort fighting to get what they were owed in the first place. Even when an insurance company eventually relents, it still hasn’t fulfilled its original promise to the policyholder to settle claims promptly and fairly. In these cases, requiring additional compensation to policyholders and insurer disincentives for unreasonable conduct would level the playing field.

Reforms like these could be a meaningful response to address the frustration and resentment that many Americans feel toward insurance companies.